FINANCIAL TIMES

Mexico's Zedillo
Condemned to live with the past
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New prospects for an old technology
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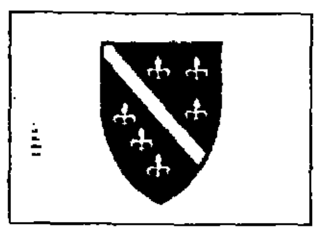

Bosnia
Longer and broader commitment needed
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TOMORROW'S **Weekend FT**
To ban or not to ban?

http://www.FT.com FRIDAY AUGUST 2 1996

German economic growth expected to pick up next year

The growth rate of the German economy should pick up again next year, but the Ifo economics institute is forecasting a 2 per cent rise after only 0.75 per cent growth this year. It warned that high unemployment would persist as industry continued to rationalise in an attempt to cut costs and increase competitiveness. Page 12

Shell seeks polyester alliance: Royal/Dutch Shell said it hoped to announce a polyester alliance that would lift its underperforming chemicals business. It reported second-quarter profits down 8 per cent to £1.18bn on a replacement cost of supplies basis. Page 13; Lex, Page 12

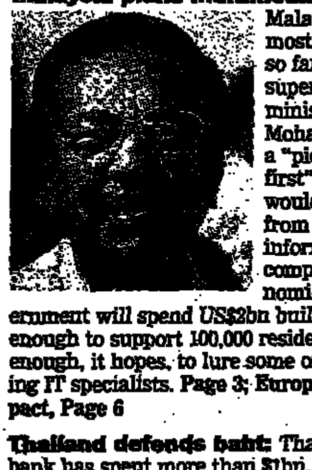
PVC producer turns in first-half loss: EVC, Europe's largest producer of PVC, announced a pre-tax first-half loss of Fl 4.9m ($2.9m), compared with a profit of Fl 181.1m in the first six months of last year. European PVC capacity is running 15 per cent ahead of demand, the company said. Page 13

Silicon Graphics chief quits: Silicon Graphics, the US computer workstation manufacturer, reported better-than-expected fourth-quarter results and said Tom Jermoluk, president and chief operating officer, was leaving the company. Page 13

Vesco on trial in Cuba: US-born financier Robert Vesco, sought by US authorities for more than 20 years, went on trial in Cuba for "acts prejudicial to the economy, fraud and illegal economic activity". Page 4

Bank of France cuts repo rate: The Bank of France cut its five-to-10 day repo tender rate by 0.15 points to 4.75 per cent, following its strategy of a steady series of small reductions over the past few months. Page 2

Malaysia plans multimedia super-corridor



Malaysia unveiled its most ambitious project so far, a multimedia super-corridor. Prime minister Mahathir Mohamad (left) called it a "pioneering world-first", which he hoped would attract investment from the world's top information technology companies and boost economic growth. The government will spend US$2bn building an IT-city large enough to support 100,000 residents and attractive enough, it hopes, to lure some of the world's leading IT specialists. Page 3; Europe seeks role in chip pact, Page 6

Thailand defends baht: Thailand's central bank has spent more than $1bn, or nearly 3 per cent of its foreign reserves, fighting off a renewed attack on the baht over the past week, the central bank revealed. Page 12

World Bank doubles funds for poor: The World Bank executive board allocated $600m of the net income it earned in the last financial year to its troubled soft-loan arm for poor countries, more than double last year's contribution. Page 5

Deadlock over N-test pact: Talks on a pact that would outlaw all nuclear testing were deadlocked over the text of a treaty due for signing at the United Nations next month. Page 5

EasyJet attacks KLM on pricing: EasyJet, the low-cost UK airline, accused Dutch carrier KLM of predatory pricing and abuse of a dominant position on the Amsterdam-London route. Page 6

France launches bank sale: The French government launched the sale of Compagnie Financière du CIC, the country's second-largest state-controlled bank. Page 13

South Korea's deficit reaches $10.3bn: South Korean exports dropped in July for the first time in 42 months as the trade deficit reached $10.3bn for the first seven months of 1996. Page 3

Australian opposition in spending row: Australia's federal opposition alleged that the coalition government planned to abandon a pledge to provide superannuation co-contributions to workers, in an attempt to cut its spending by up to A$4.5bn (US$3.6bn). Page 3

Ex-SS captain cleared: Former SS captain Erich Priebke, 83, was acquitted by a military court in Rome of war crimes charges stemming from the massacre of 335 Italians in 1944 during the Nazi German occupation of Rome.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,594.75	(+65.84)
NASDAQ Composite	1,093.88	(+13.29)
Europe and Far East		
CAC40	2,009.9	(+11.78)
DAX	2,494.46	(+21.11)
FT-SE 100	3,734.4	(+31.2)
Nikkei	20,984.63	(+292)

US LUNCHTIME RATES

Federal Funds	5⅝%
3-mth Treas Bills: Yld	5.238%
Long Bond	89⅜
Yield	6.837%

OTHER RATES

UK: 3-mo Interbank	5⅝%	(5¾%)
UK: 10 yr Gilt	97⅞	(97⅝)
France: 10 yr OAT	106.42	(106.35)
Germany: 10 yr Bund	99.31	(99.06)
Japan: 10 yr JGB	97.6819	(97.8968)

NORTH SEA OIL (Argus)

Brent Dated	$18.85	(19.08)

GOLD

New York: Comex		
(Dec)	$392.1	(387.5)
London:		
close	$386.5	(385.35)

DOLLAR

New York: lunchtime		
£	1.5585	
DM	1.47475	
FFr	5.0065	
SFr	1.2015	
Y	106.925	
London:		
£	1.5572	(1.5571)
DM	1.4736	(1.4728)
FFr	5.0022	(4.9977)
SFr	1.2008	(1.197)
Y	106.755	(106.725)

STERLING

DM	2.2946	(2.2933)
Tokyo $ close:	Y 106.55	

Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lis 15.00	Qatar	QR13.00		
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12		
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30		
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65		
Cyprus	C£1.00	Iceland	IKr230	Neth	R 4.75	S. Africa	R12.00		
Czech Rp	Kc50	India	Rs75	Nigeria	Naira80	Spain	Pta250		
Denmark	DKr18	Israel	Shk7.90	Norway	NKr22.00	Sweden	SKr20		
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70		
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£65.00		
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750		
France	FFr12.00	Kuwait	Fils.650	Portugal (m'land)	Esc240	Turkey	L90,000		
Germany	DM4.00	Lebanon	LL3,000			UAE	Dh12.00		

Cows shown to transmit disease to calves

UK findings on BSE may delay lifting of beef ban

By Deborah Hargreaves in London and Neil Buckley in Brussels

British scientists have discovered that BSE, or mad cow disease, can be transmitted from cows to their calves. The announcement raised fears that the UK government may have to increase its *selective slaughter programme of* cows and that the phased lifting of the world ban on UK beef exports may be delayed.

Mr Keith Meldrum, the UK's chief veterinary officer, told scientific veterinary experts from European Union states in Brussels yesterday that experiments by the UK Ministry of Agriculture over the past six years *pointed to the disease being* passed from mothers to calves at the rate of 1 per cent.

The research may raise questions about extending the cull of British cattle – due to start in October – beyond the 147,000 considered most at risk of contracting BSE.

"We will have to re-evaluate our eradication programme and *see if any changes have to be* made," said Mr Meldrum. If so, he added, changes would be put to the European Commission and member states next month.

Mr Lars Hoelgaard, Danish chairman of the veterinary committee, warned that an increase in the cull could postpone the *start of the phased lifting of the* world ban on UK beef exports.

Researchers do not know how *the disease is passed to calves* – it could occur in the uterus, at birth or soon after. The ministry said there was no evidence it was passed through milk, as calves born to dairy cows do not drink their mothers' milk.

The ministry has always said there was a slight possibility of such a finding and sought to play it down. "It is important to keep *this information in perspective* ... there is no case for changing recommendations in relation to milk, meat, blood or any other product which is currently permitted," said Mr Douglas Hogg, UK agriculture minister.

But Britain's Consumers' Association reiterated its advice to shoppers that the only way to be absolutely safe was to eat no beef *at all. "Calves born to cows in* the pre-clinical stages of BSE could have got into the human food chain," said Mr David Dickinson from the association.

The evidence that cows can pass on the disease helps explain the incidence of BSE among cattle born after the ban on contaminated feed – which is believed to have caused BSE – in 1988.

Government figures show that *28,402 cattle born after the feed* ban have since contracted BSE. Some 1,200 calves born to those cattle have also contracted the disease, but the ministry stressed this was not proof that all such cattle caught the disease from their mothers.

The UK National Farmers' Union said the research showed the likelihood of maternal trans*mission to be far too low to sus*tain the BSE epidemic.

The number of new BSE cases has dropped below *200* a week, compared with 1,000 at the height of the crisis in 1993 and the government expects the disease to be virtually eradicated by 2000.

Mr Richard Carden, head of the ministry's food and safety directorate, said maternal transmis*sion would not prevent the eradi*cation of BSE.

The Kremlin has set itself on a collision course with Russia's fragile middle class by imposing a new border tax on small-scale importers, some of whom were selling their goods yesterday at the huge market *next to Moscow's Luzhniki stadium, overlooked by a monument* to Lenin. Russia's suitcase trade, Page 2 Picture: Reuter

Boeing in $3bn deal to acquire part of Rockwell

By Richard Waters in New York

Boeing took a step forward yesterday in its plans to become one of the prime defence and space contractors in the US when it announced a $3bn deal to buy Rockwell's operations in these sectors.

The US commercial aircraft maker has held merger discussions with other defence companies, including McDonnell Douglas, but has failed until now to play a part in the consolidation that has swept through the US defence industry.

The acquisition will give Boeing the lead in the US space shuttle programme, along with a stronger presence in defence electronics and missiles.

Including Rockwell's $3.2bn of sales from defence and space, Boeing would have recorded total sales in these areas of $8.8bn last year. That leaves it well behind the new giant of the industry, Lockheed Martin, which has made several big acquisitions in the past three years to build a company with sales that will top $25bn this year.

For its part, McDonnell Douglas is reported to be discussing a merger with Raytheon, a combination that would create a company with total sales to rival those of Lockheed Martin.

The latest acquisitions come as Lockheed, McDonnell and Boeing position themselves to bid for the US Joint Strike Fighter programme, a contract for 3,000 fighters.

Yesterday's announcement marks a rare deal for Boeing, which has not made a big acquisition for 10 years. To avoid tax, the Seattle-based company will issue $860m of stock and assume $2.165bn of Rockwell's debt.

With the Rockwell acquisition, Boeing will become a maker of space shuttle engines and power systems for space stations, as well as electronics systems for aircraft and navigation equipment. Rockwell has been one of the main contractors for the B-1 bomber.

Mr Frank Shrontz, Boeing

Continued on Page 12
Lex, Page 12

US regulators detail telecoms overhaul

Plan sets rules for deregulation of local suppliers

By Richard Waters in New York

US regulators yesterday unveiled the details of a partial deregulation of the country's local telephone markets – and promised a more thorough overhaul by May.

The plan follows the passage earlier this year of the Telecommunications Act – which pro*vides for open competition in the* country's $170bn-a-year telephone industry.

Yesterday's announcement, from the Federal Communications Commission, gives the basic ground rules for competition and had been anxiously awaited by the country's local, long-distance and mobile telephone companies.

At issue is how each should *charge the other for the use of* services. This is a central question in the US because competition in the country's monopoly local telephone markets is likely to come about through rivals buying space on existing networks rather than building new ones.

Under the new legislation, the local companies must open up their own markets before they are allowed to compete in long-distance services.

The regulatory agency has set out several rules to help determine how the costs of running local telephone networks should be shared. These will lead to *some short-term gains for provid*ers of long-distance and mobile phone services.

The rules include:

- Companies offering long-distance services that choose to buy only parts of a local company's services, then assemble their own services, will pay 75 per cent of the access charges. Those which provide their own switching, meanwhile, will not pay any access charges at all.
- Long-distance companies will receive a discount of between 17-25 per cent when buying capacity on local company's networks, for resale to their own *customers.*
- The charge of 3-5 cents a minute that mobile telephone companies currently pay to local telephone companies to have customers' calls completed must be reduced.

The FCC has largely delayed the question of how to reform general access charges. It said yesterday that it would consider overhauling access charges when it reviews the obligation of local telephone companies to provide a universal service in their areas.

The local telephone companies, or Baby Bells, say they have to charge access fees to help subsidise universal low-cost residential services. *Under this year's Act,* regulations on how such universal services should be provided will have to be completed by May 8 next year.

Not all of the FCC's regulations will be adopted. They are meant instead to provide a national framework for the arbitration of disputes between rival telephone companies about interconnection charges.

The regulations are are seen as setting a pattern against which companies can reach their own commercial interconnection agreements.

Clinton welcomes fastest rate of growth for two years

By Michael Prowse in Washington

The US economy grew at an annualised rate of 4.2 per cent in the second quarter, its fastest for two years, the Commerce Department said yesterday.

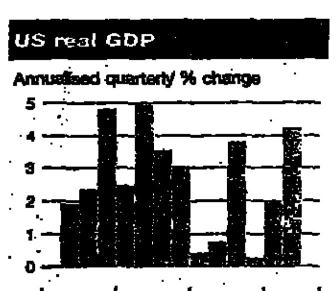
President Bill Clinton hailed the figures as "more evidence that our economy continues to surge ahead and that our economic strategy is working".

In financial markets, investors took heart from tentative signs that growth might slow in the third quarter, reducing pressure *on the Federal Reserve* to raise short-term interest rates.

Share and bond prices rose *sharply following a report show*ing an unexpected decline in an index known to be monitored by Mr Alan Greenspan, the Fed chairman.

The Purchasing Managers' index fell to 50.2 per cent from 54.3 per cent in June, indicating a *slowdown in manufacturing last* month. Readings of about 50 per cent indicate zero growth in factory output.

Investors were encouraged by a fall in a part of the index measuring commodity prices. The data on gross domestic product also *showed an easing of inflationary* pressures in the second quarter.



Source: Datastream

In mid-afternoon trading, the 30-year Treasury bond was up more than 1¼ points, pushing the yield down to 6.829 per cent. The *Dow Jones Industrial Average* was up 66.21 at 5,595.12.

The 4.2 per cent growth rate exceeded Wall Street expectations and followed revised estimates of 2 per cent and 0.3 per cent in preceding quarters.

The expansion was broadly *based, with consumer spending* growing at an annualised rate of 3.7 per cent, up from 3.5 in the first three months.

Growth was also boosted by a rebuilding of corporate inventories and a rapid rise in government spending.

The increase would have been faster but for a slowdown in business capital spending and a widening of the trade deficit.

Analysts said the Fed's deci*sion on interest rates would* depend on its assessment of the economy's current momentum. *The* central bank is looking for signs that growth is slowing to 2-2.5 per cent, seen as consistent with stable inflation.

The weak purchasing managers' report pointed to some slowing from the second quarter, but separate data on weekly claims for unemployment benefits suggested continued economic strength. In the week to July 27, claims fell to the lowest level in seven years.

Mr David Jones, chief econo*mist at Aubrey G Lanston*, a New York stockbroker, said the weak manufacturing data had reduced the chance the Fed would raise interest rates at its August 20 policy meeting.

Mr Jim O'Sullivan, an economist at J.P. Morgan, the New York bank, said the purchasing index was "not the last word" because it had recently been a poor predictor of economic activity. The Fed's decision would depend on employment figures for July, due out today.

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NEWS: EUROPE

Kremlin demands its cut of Russia's suitcase-trade

The Kremlin yesterday set itself on a collision course with Russia's fragile middle class when it imposed a new border tax on the 10m small-scale importers who bring cheap consumer goods into the country in suitcases or back-packs.

The move – breaking a promise by Mr Boris Yeltsin during his recent presidential re-election campaign – is part of the government's determined effort to boost the nation's low tax take, which has delayed disbursement of a loan from the International Monetary Fund and threatens to derail Russia's economic stabilisation programme.

The tax authorities say the nation's biggest, richest companies are the main culprits for their failure to pay existing taxes, but the

A new border tax on small-scale importers not only breaks a poll pledge but also threatens one of the few sources of income for the beleaguered professional classes, writes **Chrystia Freeland**

government has been reluctant to penalise its business allies.

Buses, trains, ships and aircraft between Russian cities and popular shopping destinations such as Turkey, Poland, China and South Korea are packed with shuttle-traders, who return bearing cumbersome sacks of consumer goods which they then sell at outdoor markets.

Thanks to their efforts, the markets which have sprung up in every Russian town and city are now filled with electronics from the United Arab Emirates, leather goods from Turkey, cheap, colourful dresses produced in Chinese sweat-shops and other consumer goods from dozens of countries.

The business-tourists have become so ubiquitous in Istanbul, a favourite shopping spot for European Russians, that they are generically known as "Natashas" and find their way around guided by the cyrillic signs posted by Turkish merchants eager for a piece of the thriving Russia trade.

Politicians and entrepreneurs have warned that by targeting the small-scale merchants, who import an estimated $10bn worth of goods each year, Moscow risks revolt by Russia's beleaguered professional classes by destroying one of the few sources of income open to them.

Led by Mr Yuri Luzhkov, Moscow's outspoken mayor Moscow who has a sure feel for populist politics, the small-scale importers have denounced the new regulations as an ill-considered policy which will raise the price of consumer goods and fatten the wallets of corrupt customs officials, but bring little fresh revenue to the treasury.

"Most traders will become jobless and join the unemployed masses of our country," said Mrs Olga Elkova, president of Tourism and Entrepreneurship, a recently founded lobby group established to defend the traders' interests. "This will not help fill the budget. The only people who will benefit are the customs officers, who work for their own pockets."

Most of the "shuttle-traders" or "business-tourists" are trained in professions such as medicine, law and scientific research who have turned to petty trading to support lives displaced by the collapse of the Soviet Union. Paradoxically, they represent the social layer which has most staunchly supported Mr Boris Yeltsin, who was elected last month to a second presidential term and who promised during his campaign not to levy new taxes on shuttle-trading.

Under the new rules the shuttle-traders duty free limit has been reduced to $1,000, or a maximum of 50kg, from the previous ceiling of $2,000 with no weight ceiling. Imports exceeding this threshold are now subject to a 30 per cent tax, or no less than 80 cents a kg.

In a sign that a civil society is beginning to emerge from within the atomised Soviet populace, Russia's shuttle-traders have mounted a fierce lobbying campaign against the new rules.

They have enlisted the support of travel agencies, who depend on them for a considerable part of their trade, and have won sympathy in a nation which has grown accustomed to the cheap goods they supply and has grave doubts about the probity of customs officers and tax collectors.

The shuttle-traders are even making an attempt to recruit Russia's powerful military to their cause. As many as half the small-scale importers are retired officers unable to support their families on pensions of little more than $100 per month.

"This decision will be a serious blow to the officer corps," said Colonel Eduard Rodiukov, president of Strategia, an organisation which helps laid-off military personnel find jobs. "At any market where the shuttle-traders do business you could easily put together a PhD committee. Our best scholars, our best officers are living off this business.

Italian parties pass fiscal measures

By Robert Graham in Rome

The Italian government yesterday forced its L16,500bn ($10.8bn) mini-budget through parliament before the summer recess, clearing the ground for discussion of the 1997 budget in September.

The package, approved in cabinet on June 19, is essential to hold this year's budget deficit down to the target of 5.9 per cent of GDP.

It was the first major act of the new centre-left government headed by Mr Romano Prodi, the Bologna economics professor, and consists of a careful mix of spending cuts – the bulk of the package at L11,000bn – and new fiscal measures, including a slight squeeze on corporate earnings.

Even though all parties accepted the need for the mini-budget and there was little real discussion about the measures, its passage through parliament was been eventful, partly because the centre-left Olive Tree alliance still lacks internal cohesion.

The mini-budget debate was used as a means to test the relative weight of the various parties and the degree of support provided from outside the alliance from the marxists in Reconstructed Communism.

It also gave the opposition a chance to flex its muscles. The rightwing alliance headed by Mr Silvio Berlusconi, the former premier, was caught between trying to appear responsible by backing necessary austerity and the desire to make life difficult for the new government.

As a result the Berlusconi-led alliance oscillated between co-operation and obstruction – its main tactic in recent days has been refusing to turn up in parliament, denying the necessary quorum for debate.

The populist Northern League, headed by Mr Umberto Bossi, chose to obstruct business by tabling as many amendments as possible to draw attention to arguments for a federal structure for the Italian state.

The government got round these amendments by calling its first vote of confidence on Wednesday, which it won comfortably by 319 to 284 votes in the chamber of deputies. The government has an absolute majority in the Senate.

The parliamentary atmosphere has given a foretaste of the problems that lie ahead when the 1997 budget is discussed after the summer recess.

It was also a dress rehearsal for the skirmishes and squabbles ahead in the formation and operation of a bicameral commission to study reform of Italy's 1948 constitution.

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Bank of France trims repo rate

By Andrew Jack in Paris

The Bank of France yesterday cut its five-to-ten day repo tender rate by 0.15 points to 4.75 per cent, following its strategy of a steady series of small reductions over the past few months.

The move, decided by yesterday's meeting of the monetary policy committee, is the first since April when the rate fell by 0.60 points to 4.9 per cent. The central bank's intervention rate was reduced by 0.05 points to 3.55 per cent at the start of this month.

Some analysts interpreted the decision as signalling the need for continued budgetary rigour in spite of the latest rise in unemployment and growing union concern at discussions over job cuts in the public sector likely to take place next year.

The cut also follows growing criticism of Bank of France policy in recent weeks. In a television interview on July 14, President Jacques Chirac implicitly criticised the bank and suggested that the small business sector was suffering because rates were too high.

Mr Marc Blondel, leader of Force Ouvrière, the union which helped trigger social unrest in last November following opposition to proposed changes in social security, also suggested this week that the Bank of France had too much power.

Official figures released on Wednesday showed that the number of job-seekers increased by 0.7 per cent in June, bringing the unemployment rate up to 12.5 per cent.

Mr Ciarán O'Hagan, a bond analyst with J P Morgan in Paris, said he had been expecting a further reduction in the intervention rate, which he believed could still be lowered without upsetting the money markets.

Other analysts suggested that the reduction was largely symbolic, because there are few transactions at the repo tender rate, which is used largely as a guide to other interest rates and only by commercial banks in an emergency.

"It is pretty much window-dressing," said one. "It has no economic impact. The bank probably felt it needed to do something to show it is independent."

Bond traders eye currency unit after easing of conversion worries

Europe's ailing Ecu set for new lease of life

By Samer Iskandar and Gillian Tett in London

Dealers in European currency unit bonds have had a thin time in recent years. Uncertainties dogging the Ecu market have left the Ecu currency trading at a discount – its value is deemed to be less than the value of its constituent currencies – and volumes have declined.

The basket currency of the Ecu, Europe's common unit of account, has been riven with uncertainty about what would happen to it under European monetary union. Uncertainty in the early 1990s was such that Ecu bond traders' contracts often contained clauses promising compensation if activity in the Ecu vanished.

But, this autumn, new life could be breathed into the Ecu bond market which could smooth the path to Emu itself. Some traders in French and German bonds – which will become obsolete as a result of Emu – are now eyeing the Ecu business as a possible future focus for work.

The way the Ecu problem is handled in coming months is a crucial test of the degree to which European authorities can manage the changeover to the single currency without alarming the markets.

The Ecu's problems have arisen because of uncertainty about how it will be converted once Emu starts, and whether the Ecu as a currency and the Ecu as an accounting unit in some contracts would receive the same treatment.

The Madrid summit decided last year that all Ecu contracts would be converted at a rate of 1:1 with the euro. This has helped recent bond issues, but there has been uncertainty about whether it would be upheld in law in a way that would apply to all contracts, particularly contracts initiated when the process of Emu was less clear.

Financial institutions have also been worried about how to issue new Ecu contracts in order to ensure that their legal status is watertight.

This concern was partly resolved yesterday by an agreement between the International Primary Markets Association and International Swaps and Derivatives Association. They propose a standard form of words that can be inserted into contracts, updated to take account of the Madrid summit decision.

Some progress is also being made in the question of what will happen to existing contracts.

The European Commission took a big step in clarifying this situation on Wednesday, when it applied the 1:1 conversion rule to all its existing contracts, including some that were issued before the move to a single currency had even been decided.

Next month it will publish legal proposals aimed at enforcing the conversion of all Ecu bonds at the official rate.

Industry bodies insist that, to revive the Ecu bond market, the Commission's proposals must end uncertainty. Some dealers even hope that the entire market could be relaunched after this week's announcement.

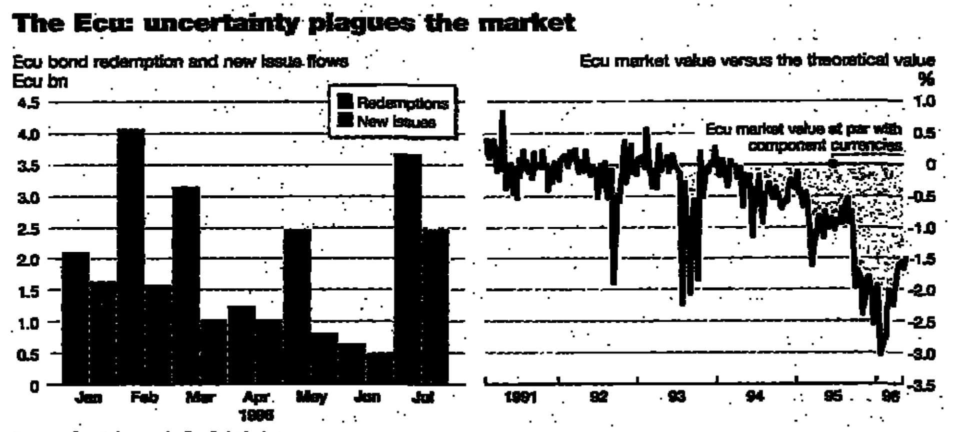
These hopes received a further boost yesterday when a joint report from the Bank of France and French financial groups in Paris called for expansion of the Ecu market in the year before Emu starts.

Financial groups believe this could help create more liquidity in the future euro market, smoothing the transition to Emu. Mr Steven Major, an Emu expert at Crédit Lyonnais, has repeatedly insisted that a relaunch of the Ecu market could provide a clever technical solution to the question of how to lock currencies into the future Emu.

If the Ecu becomes more popular, its actual and theoretical values might start to match each other, giving more weight to the argument that the Ecu could be used to smooth the transition to Emu.

These hopes may be over-optimistic, but there are strong hopes in France that Paris would be an important centre of Ecu trading if an Ecu market were relaunched before 1999.

The Ecu: uncertainty plagues the market



Source: Crédit Lyonnais Capital Markets

The European Commission has made a fresh move to bolster confidence in the Ecu market by declaring that all Ecu bonds related to European institutions will be fully convertible after 1999. This includes bonds whose terms specified they would be redeemed in existing European currencies.

Mr Yves-Thibault de Silguy, economic affairs commissioner, said a retrospective guarantee would be given to ensure these bonds would be converted at a rate of 1:1 into euros when European monetary union started in 1999.

The move marks an attempt by the Commission to calm market unease about the legal uncertainties surrounding the Ecu market. Although it was agreed at last year's Madrid summit that all Ecus should be converted into euros at 1:1, the legal framework for this will not be issued until the autumn.

Some traders welcomed yesterday's decision, and predicted that it could boost the Ecu market. But some lawyers in London thought it would be almost impossible to apply this principle to contracts between private parties.

Bildt voices pessimism about Bosnia

By Laura Silber in Belgrade

International mediator Mr Carl Bildt has given a blunt warning that hardline nationalist politicians who wielded power during the Bosnia war will probably hold or even improve their positions in forthcoming elections.

In an article in today's Financial Times, Mr Bildt also calls for US, Russian and west European participation in a "smaller but very robust" military force to succeed Nato's peace implementation force (Ifor) in Bosnia.

His belief in the desirability of a post-Ifor military operation is shared by most US officials involved in the region. However, President Bill Clinton and Mr Tony Lake, his national security adviser, are understood to be reluctant to commit themselves to this idea.

Mr Bildt, who is in charge of implementing the civilian side of the Dayton peace agreement, said the chances of a drop in influence for the three ethnically based parties in Bosnia were "approaching zero". Senior western diplomats said this pessimism was widespread among policymakers, but US officials until now had not made such gloomy prognoses in public.

In a call for Washington, Moscow and western Europe to co-operate, Mr Bildt said the composition of a follow-up military mission must "reflect the transatlantic coalition which – with Russian participation – is so actively pursuing the peace effort".

At a Nato meeting in mid-June, Russia said it was prepared to support a post-Ifor mission, both at the UN and on the ground. But it hinted strongly that such support might be conditional on Nato holding back on plans to enlarge.

President Clinton promised last year that the US contingent in Ifor would only be deployed for a year. Any departure from this timetable could be an embarrassment in the run-up to the presidential elections.

One senior western diplomat said Mr Bildt was bringing into the open an issue which had been discussed in private. "It is conventional wisdom that there will be a follow-on force after Ifor," he said. "But no one is saying so because of political reasons."

Against this background, western officials were struggling yesterday to remove obstacles to implementation of the Dayton accords, including a political impasse in Mostar. Mr John Kornblum, the top US envoy to the region, yesterday met the city's Croat leaders who are boycotting the city council after narrowly losing elections on June 30 aimed at reunifying Mostar.

Extend the brief on Bosnia, Page 10

Rising wealth threatens Ireland's EU aid

Finance minister Ruairi Quinn tells **John Murray Brown** he wants the rules changed

Ireland is likely to seek a change in the rules governing European Union funds to ensure that the country continues to receive regional aid.

The Irish receive more EU assistance per head than any other member state but growing prosperity means it would be unlikely to qualify for any regional funds by 1999, when the next five-year round begins.

Mr Ruairi Quinn, the Irish finance minister, said in an interview that EU enlargement, shifting the Union's demographic centre of gravity eastward with the accession of the populous central and east European countries, would make Ireland's peripheral status more acute.

The issue is likely to be raised later this year when Ms Monika Wulf-Matthies, the regional affairs commissioner, holds a conference in County Cavan, where member states will report on the use of regional funds.

Monies from the EU – through farm support and regional funds – contribute around 2 per cent of Ireland's gross national product. If they were withdrawn, the country's currently healthy ratio of budget deficit to GNP of just over 1 per cent could rise close to the 3 per cent limit set under the Maastricht conditions for monetary union.

Per capita income has increased from 63 per cent of the EU average in 1989 to 89 per cent in 1995. Under current projections, Ireland will overtake the UK by the year 2000, said Mr Quinn.

Ireland no longer qualifies for structural funds, which are available for countries which have a per capita income less than 75 per cent of the EU average. By the time of the next round of negotiations, it will no longer qualify for cohesion funds, which are targeted at infrastructure in the peripheral economies of Greece, Portugal, Spain and Ireland.

To make its case for additional monies, Mr Quinn says Ireland will argue that it is more reasonable to use GNP, which measures the wealth produced by a country, rather than gross domestic product, which measures the wealth produced within it.

The gap between the two in Ireland is currently 2-3 per centage points, as GDP includes large transfers by multinationals – which account for 50 per cent of exports – in terms of profit repatriations and royalty payments.

"If you want to compare like with like, then in our case, in terms of per capita income, the GNP is a more accurate figure. Of course, we will make that argument, although we haven't got into making it formally."

The minister said Dublin was considering the possibility of arguing that Ireland be designated as a series of regions, the poorest of which would quality for structural funds, as happens in the UK, for example.

Mr Quinn said the country's infrastructure was still deficient. Ireland is also the most export-dependent economy in the Union apart from Belgium, and transport by ferry and long road or rail routes add 8 per cent to export costs.

He said he looked forward to the day when Ireland would be a net contributor to the EU. But, he said, "if the single market is to mean anything, we should ensure that we have reasonable access to that market in terms of costs. We are disadvantaged. Any political or economic union would recognise the disadvantage of areas that are physically disconnected".

EUROPEAN NEWS DIGEST

Court dismisses Nazi charges

An Italian military tribunal yesterday dismissed charges against former Nazi officer Mr Eric Priebke over his part in the execution of 335 Italians during the closing stages of the German occupation of Rome.

The court's ruling that he was guilty but that the crimes were covered by a statute of limitation was greeted with chaotic scenes of protest outside the Rome courtroom by relatives of those killed. The state-led prosecution said it would consider an appeal.

The trial was the first important war crimes case in Italy since the aftermath of the second world war, and was brought after Mr Priebke, now 83, gave an interview to an American TV network at his home in Argentina.

No previous effort had been made to arrest him even though he had visited Italy and he was living under his own name. Mr Priebke was extradited last year to be prosecuted for events for which his superior officer had accepted responsibility and been sentenced by an Italian court many years before. His defence was that he was obeying orders. *Robert Graham, Rome*

Fire damages Corsican courts

A serious fire damaged parts of the law courts in Bastia, the largest town in Corsica, early yesterday, destroying documents, and damaging the offices of the National Institute for Assistance to Victims which had been co-ordinating aid to the 1,500 injured in the collapse of the Furiani football stadium in May 1992.

Investigators would not say yesterday whether the fire was accidental, or linked to the nationalist violence which has afflicted the Mediterranean island over the last few years. They indicated that no automatic fire extinguisher had been installed after the building was renovated two years ago.

Government buildings have been frequent targets of attacks for clandestine groups, although most have taken the form of bombs rather than fires. *Andrew Jack, Paris*

Iceland vs Greenland over fish

A fisheries dispute between Iceland and Denmark has escalated, after the Icelandic government declared that Danish trawlers would not be permitted to fish in a 10,000 sq km area of the north Atlantic between the coasts of Iceland and Greenland, over which Iceland and Denmark are in dispute.

An Icelandic fisheries inspection vessel this week asked three Danish trawlers to leave the area. The Danes claim the two countries agreed in 1988 that trawlers with a licence from Greenland, including Danish trawlers, would be allowed to fish there. The Icelandic government denies the agreement exists. Greenland is a self-governing province of Denmark, which conducts its foreign policies. *Hilary Barnes, Copenhagen*

Franco-German troop talks

Mr Charles Millon, French defence minister, (left) will meet his German counterpart, Mr Volker Rühe, on August 16 to discuss France's plan to pull most of its troops out of Germany. France last month announced a streamlining of its armed forces, disbanding 38 regiments mainly in Germany, closing barracks, and retiring one of two aircraft carriers. The number of French soldiers in Germany is expected to fall from 20,000 to 3,000 during three years. Mr Millon has said the controversial plan is part of a shift to a smaller all-professional army for the 21st century. *Reuter, Paris*

Finland eases telecom rules

Finland has further liberalised its telecommunications laws to make it easier for operators to enter the telecommunications market.

"We are practically abolishing the licensing system; price regulation will be abolished as far as possible; and we have made more clear the operators' rights to lease lines," a Finnish government official said. "We abolished price regulation because we believe the market is doing it better." *Reuter, Helsinki*

EU challenges Germany and Spain

The European Commission said it was stepping up its challenge to Germany and Spain over their alleged failure to implement EU insurance directives properly. The Commission is sending reasoned opinions – one step away from an EU court referral – giving the two member states 40 days in which to reply.

The complaint against Germany covers an "indirect infringement" of an EU non-life directive, in which employers are prevented from using the same insurance company for health and other insurance, it said.

The complaint against Spain involves non-implementation of an EU motor insurance directive, requiring member states to set up a body dealing with compensation for damage caused by unidentified vehicles, it said. This body is supposed to reply to victims' demands for compensation but the Spanish legislation fails to take account of this requirement, the Commission said. *AFX, Brussels*

Turkey debates telecom sale

The Turkish parliament yesterday began debating a new draft law to enable the government to privatise state-owned Turk Telekom. Three previous attempts to sell the company have been thwarted by constitutional hitches.

Estimates for the amount that the sale can bring in range from $8bn to $25bn. Prime Minister Necmettin Erbakan of the Islamist-led government said Turk Telekom's sell-off would be a significant part of the government's revenue-raising package unveiled on Wednesday, though officials have said the sale could not be achieved before mid-1997. *Reuter, Ankara*

Mahathir unveils multimedia 'super-corridor'

By James Kynge in Kuala Lumpur

Malaysia, which is already building south-east Asia's biggest airport, the world's tallest office building and a new capital, yesterday unveiled its most ambitious project so far, a "multimedia super-corridor".

Dr Mahathir Mohamad, the prime minister, launching the project yesterday, called it a "pioneering world-first", which he hoped would attract investment from the world's top information technology companies and boost economic growth.

He said the "corridor" would comprise a 750 sq km zone linking Kuala Lumpur's city centre, the new administrative capital of Putrajaya, currently under construction, and the new international airport.

Within the zone, the government will spend US$2bn building an "IT-City" large enough to support 100,000 residents and attractive enough, it hopes, to lure some of the world's leading IT specialists. The area will be served by a telecommunications network more powerful than the world's fastest computers require.

One company already attracted is Microsoft of the US, for whom, in the spirit of the corridor concept, the wheels of Malaysia's bureaucracy have spun with rare rapidity.

Mr John Lauer, the director of the US company's Malaysia office, said his permit took just over two months to arrive. Less favoured companies often have to wait six months and some unlucky foreigners have completed three-year tours of duty without ever having received a formal authorisation for their work.

He added that the company did not plan to establish core research and development activities in the corridor but it was considering engaging in some peripheral research operations there.

The government hopes that the participation of top IT companies will raise Malaysia's technological skills.

"The key for any vision is having good execution," said Mr Lauer. "I think the Malaysian government has a good track record for execution."

Japanese business "guru", Mr Kenichi Ohmae, who is advising Malaysia's government on the plan – said this week that the "super-corridor" would help the economy vault from its current medium technology base to a "cruising altitude" of prosperity.

Although companies may apply immediately to set up in the super-corridor, the infrastructure is unlikely to be in place for at least another year, officials said.

Dr Mahathir pledged that government red-tape in getting the corridor off the ground would be kept to a minimum so as to ensure a "hassle-free" creative environment. He outlined several incentives: immigration and work permit applications would be simplified; stringent restrictions on employment and foreign ownership which existed outside the corridor would not apply within it; and companies in the corridor would be exempt from corporate tax for up to 10 years and receive priority in the award of government infrastructure contracts.

He also unveiled a "Multimedia Bill of Guarantees", which promises that a set of laws distinct from those in force in the rest of the country would be drawn up to facilitate investment and work in the corridor.

"This is the most impressive proposition that I have seen on a world-wide basis (for locating research and development operations)," Mr Raymond Lane, a senior executive at Oracle Corporation, said. He added that the attitude of host governments to information technology industries had become a key competitive advantage.

Mr Masashi Kojima, chief executive counsellor at Japan's domestic telecoms giant, Nippon Telegraph and Telephone, said that his company was planning a presence in the corridor but added that details had yet to be finalised.

However, critics are concerned that despite Dr Mahathir's assurance that there would be no censorship within the corridor, limits to the free flow of information may yet be imposed by a government which scrutinises foreign newspapers before distribution and is notoriously sensitive to criticism.

Other observers worry that Malaysia's chronic shortage of skilled labour, especially engineers, will pose problems for those manufacturing enterprises which want to hire locally. And if few Malaysians gain exposure to foreign expertise in the corridor, it could undermine the project's central purpose of nurturing Malaysia's own information technology companies.

Malaysia deficit forecast to grow

By James Kynge in Kuala Lumpur

One of Malaysia's top think tanks has revised upwards its projection for the current account deficit after the slower than expected growth in merchandise exports this year.

The Malaysian Institute of Economic Research (MIER) said the country's current account deficit, one of the most closely watched barometers of the nation's economic health, would rise to M$19.2bn (US$7.7bn) this year from M$17.8bn last year.

It predicted a full-year merchandise trade surplus of M$1.1bn, against a surplus of M$630m last year. The deficit in the services component of the current account will continue to rise, it added.

Economists are concerned at Malaysia's current account deficit because of the downward pressure which a large deficit tends to exert on the value of the currency, the ringgit.

The deficit also raises worries the country is spending beyond its means and could have trouble financing the shortfall if foreign investment inflows start to dry up. So far this year, foreign investment has remained buoyant.

The recent easing in exports has been partly due to a fall in global demand for electronic goods, which account for 30.5 per cent of Malaysia's total exports. Slackening electronics sales have hit some Malaysian companies especially hard because wages in the wider economy are rising at almost double the rate of productivity gains, thereby cutting operating margins.

The institute predicted that the slowdown in exports and the agricultural sector would cool gross domestic product growth to 8.5 per cent this year from 9.5 per cent last year. It predicted GDP growth of 8.3 per cent in 1997.

Interest rates are likely to be relatively stable this year but may climb if inflationary pressures are not contained, the institute said in a report. The tight labour market could apply some inflationary pressures through higher wage claims, but inflation is forecast at a relatively stable 3.7 per cent this year.

Setback for opposition leader in Indonesia

By Greg Earl in Jakarta

An attempt to propel Indonesia's struggle over democracy on to the legal stage made little progress yesterday when a presiding judge failed to turn up on the grounds that he had toothache.

Ousted opposition party leader Mrs Megawati Sukarnoputri had filed charges against the government and the military accusing them of illegally ousting her from the leadership of the opposition Indonesian Democratic party (PDI) in June.

She did not appear at yesterday's court hearing, but in keeping with efforts not to inflame the political situation she called on her supporters not to stage a demonstration outside the court.

The case comes just a few days after four people were killed and over 100 arrested in the worst political violence to hit Jakarta for several decades. The riots last Saturday erupted after Indonesian police took over the PDI headquarters in Jakarta from Mrs Megawati's supporters, who had refused to hand over the building to the government-backed rival faction.

The case was adjourned until August 22 after a judge told the packed courtroom that chief judge I Gde Ketut Suarta had toothache. He was to have headed the three-judge panel scheduled to hear the case.

The postponement raises the possibility that the government may be employing sophisticated delaying tactics to take the steam out of the democracy struggle.

A battle over the closure of Indonesia's best known news magazine ended on a subdued note earlier this year after a drawn out two-year legal action.

The military yesterday appeared to have firmly regained control of Jakarta with the deployment of armed troops.

The army has said it will open fire to quell any fresh disturbances.

Soldiers with specialist sniper rifles watched the court from surrounding tall buildings.

Several Indonesian economic ministers have moved to reassure foreign investors that the country's economic policy has not been effected by the turbulence.

Mr Ginandjar Kartasasmita, minister for National Development Planning, told an economic conference it was not necessary to provide any special explanation of the riots to foreign investors.

The Jakarta stock exchange continued to recover slightly yesterday from its 5 per cent plunge earlier in the week.

But the research director of a foreign stockbroking house said: "It will take a significant amount of time for buying interest to return."

An Indonesian businessman with military links said the dramatic escalation of the military response this week was consistent with an internal military view that it should allow greater room for public debate, but be ready to crack down hard and fast if it judged that dissidents were getting out of control.

In another significant development a series of Moslem based groups have strongly endorsed the government's action indicating that the military's strong anti-communist line has found a receptive audience in that important Indonesian community.

A group of Moslem leaders from the eastern city of Surabaya issued a statement condemning a small radical party the government has blamed for the riots and supporting the military assertion that it was a new communist party.

At the court hearing supporters of Mrs Megawati loudly jeered as the two junior judges announced the adjournment and failed to deal with some technical complaints by Mrs Megawati's lawyers against lawyers representing the main government defendants.

The court hearing attracted a crowd of more than 1,000 people but only a small group of fewer than 100 were involved in a demonstration which police quickly pushed into a side street.

PLA vows to re-establish Chinese control over Taiwan

The People's Liberation Army marks its anniversary AP

China generals pledge to back top leadership

By Tony Walker in Beijing

China's 3m-strong military celebrated "army day" yesterday with calls from its top generals to bolster the leadership of President Jiang Zemin and the Communist party.

General Chi Haotian, defence minister, used the 69th anniversary of the founding of the People's Liberation Army to emphasise the military's determination to secure Taiwan's return to mainland control.

He called for peaceful reunification but reiterated China's refusal to renounce the use of force. "The army will work hard to promote the peaceful reunification of our motherland but we will never commit ourselves to the non-use of force," he said.

Gen Chi, a close supporter of President Jiang, said the PLA must "unswervingly follow the command of the party central committee and the central military commission with Comrade Jiang Zemin at the core".

His remarks coincide with a difficult transition to a new generation of leaders to replace that of Mr Deng Xiaoping, whose health is failing and who will turn 92 this month.

Mr Jiang, who assumed party leadership during the pro-democracy student riots in 1989, has worked hard to establish close links with the army but his lack of military credentials has hampered his efforts.

He serves concurrently as state president, general secretary of the party and chairman of the central military commission. The latter is China's top military body. Dressed in a traditional military-green Mao tunic, Mr Jiang was televised reviewing cadets on army day.

Gen Chi called for an improvement in China's defence industries and spoke of the need to acquire more sophisticated weapons to "cope with the possibility of high-tech wars."

● China has no intention of engaging in a nuclear arms race but would use "appropriate and necessary" methods, other than explosions, to ensure the safety of its nuclear arsenal, a Chinese disarmament expert said yesterday, Reuter reports from Peking.

He declined to say whether these methods included computer-simulated nuclear explosions, but denied speculation of a possible deal between China and other nuclear states to obtain technology or data.

ASIA-PACIFIC NEWS DIGEST

South Korean exports decline

South Korean exports dropped in July for the first time in 42 months, while the trade deficit reached a total of $10.3bn for the first seven months of 1996.

Last month exports on a customs-clearance basis fell 3.1 per cent to $10.2bn, and imports rose 13.7 per cent to $12.9bn.

The ministry of trade and industry blamed a sharp fall in international prices for semiconductors, Korea's biggest export item, for the export decline. Imports rose as tariffs were cut on raw materials, including oil and rubber, with companies stockpiling these resources for industrial expansion later this year. *John Burton, Seoul*

■ North Korean officials warned yesterday that heavy rains and floods last week had aggravated the country's already severe food shortage. "Last week's flood damage was worse than last summer," when bad weather triggered the current food shortage, Mr Kim Jong-u, head of North Korea's foreign investment committee, told the South Korean daily Chosun Ilbo.

Flooding was especially bad in Hwanghae, one of North Korea's main grain-producing regions, and Kangwon provinces, both of which lie along the demilitarised zone border with South Korea.

Tokyo is considering providing new food supplies to North Korea, but a foreign ministry official in Seoul said the South Korean government would not offer any aid until the extent of the damage is verified. Floods in South Korea have killed 68 people, including 49 soldiers along the heavily armed demilitarised zone, with another 18 missing. *John Burton*

Mongolia signs pact with US

Mongolia has signed a security agreement with the US as part of its move to expand ties with the West and Japan, Mongolian President Punsalmaagiin Ochirbat told the Japanese daily Nihon Keizai Shimbun in Ulan Bator yesterday.

But the agreement did not signal a change in his country's basic foreign policy of giving priority to its two giant neighbours, China and Russia, he said. "The highest priority in our foreign relations is China and Russia. But we are considering expanding ties with the United States, Japan and Europe within this framework."

The security agreement stipulates some Mongolian officers will be trained in US military academies. The US will donate computers for Mongolian military schools and Washington will provide emergency aid for military hospitals during natural disasters in Mongolia. The US established diplomatic relations with Mongolia in 1987.

Mongolia, long a client state of the Soviet Union, is now looking to Japan and the West for increased investment, especially in the mining sector. *Reuter, Tokyo*

Pakistan transport strike over

Pakistan transport workers yesterday agreed to call off their strike after the government accepted their demand to withdraw several taxes introduced in the budget last month. The agreement was reached as a nationwide strike by bus, truck and oil tanker operators entered its third day.

Officials said the decision to call off the strike followed "successful" negotiations between a five-member government team led by the petroleum minister, Mr Anwar Saifullah, and a delegation representing the Supreme Council of All Pakistan Public Transporters. The transporters began the strike on Tuesday to protest against new taxes imposed in the state budget for fiscal 1996-97 that greatly increased transport levies. *AFP, Islamabad*

Australian opposition on attack over spending

Government plays down claim on pension changes

By Nikki Tait in Sydney

A pre-budget row broke out in Australia yesterday after the federal opposition alleged the coalition government planned to abandon a pledge to provide superannuation co-contributions to workers, in an attempt to cut its spending by up to A$4.5bn ($3.6bn).

Other rumoured proposals included a change to the taxation of superannuation contributions. These, it was suggested, would become part of assessable income and be taxed at an employee's highest marginal rate instead of a concessionary 15 per cent. The changes were said to have been agreed at a cabinet meeting in Sydney on Wednesday.

Mr Peter Costello, federal treasurer, played down the accuracy of the reports. "I sat in a cabinet meeting for seven or eight hours yesterday and if this is a description of that cabinet meeting, I think the . . . journalists must have had their own cabinet meeting."

The reports were "so beyond the ballpark they are hardly worth mentioning".

The Liberal-National coalition is due to hand down its first budget on August 20, and has promised to find A$8bn spending cuts over the 1996-97 and 1997-98 financial years. For months, Australians have speculated where the cuts will come from.

The rumours brought a swift response from the financial services industry. The Association of Superannuation Funds of Australia (ASFA), the main industry body, warned the federal government to consult the industry before making changes to the tax arrangements for superannuation.

Ms Susan Ryan, executive director, said some of the suggested changes could "seriously reduce an individual's benefits and would undermine national savings".

A similar response came from a number of manufacturing industry associations, including the Australian Chamber of Manufactures, the Federation of Automotive Products and the Metal Trades Industries Association. They said the reported plan to change the tax on superannuation should be subject to review before any legislation.

The Australian Council of Trade Unions said it would fight any move to reduce superannuation entitlements. "It seems to me the (rumoured) government proposals, by a cursory examination, will leave lots of working people that I represent worse off," said Ms Jennie George, Actu president. "If that is the case, it is an issue about which we could well have an industrial campaign."

The co-contribution, said to be under threat, stems from a decision by the former Labor government to replace a round of promised tax cuts by a 3 per cent superannuation co-payment. This was to be phased in across three years from 1997.

Coupled with a compulsory 3 per cent employee contribution and a 9 per cent employer contribution, it was designed to lift the income flow into superannuation from 9 per cent of wages to 15 per cent by the year 2002.

This, it was argued, would help address Australia's extremely low savings ratio, seen as one of the country's biggest economic handicaps.

Skilled not cheap labour wins Japanese investment

By Guy de Jonquières

Most Japanese companies which invest in other parts of Asia are not seeking cheap labour and are drawn to countries with skilled work forces, minimal business restrictions and large domestic markets.

These are among the conclusions of an unpublished World Bank study*, based on a survey by Japan's Ministry of International Trade and Industry of foreign direct investment by Japanese companies.

The study says that although many of the more than 170 Japanese companies surveyed complained of high production costs at home, this seldom drove decisions to invest abroad.

Much more important were Japanese companies' assessments of international business opportunities and their tendency to flock to overseas locations favoured by competitors in the same sectors.

Large companies, and those with a strong export orientation, were most likely to invest outside Japan. However, companies which depended heavily on research and development tended to be relatively slow to invest overseas.

"Technologically sophisticated Japanese firms are under less competitive threat than other Japanese firms and hence have less need to move production closer to customers or seek cheaper locations," the study says.

It finds that 60 per cent of small Japanese companies' total foreign investment is in Asia, three times the level for large ones. Small companies also set greater importance on low-cost production locations.

However, the quality of local labour was the decisive factor in choice of location.

**Japanese multinationals in Asia: capabilities and motivations. By Susmita Dasgupta, Ashoka Mody and Sarbajit Sinha. World Bank, 1818 H Street N.W., Washington D.C. 20433.*

US fugitive Vesco on trial in Cuba

By Pascal Fletcher in Havana

Mr Robert Vesco, the fugitive US-born financier, sought by US authorities for more than two decades, went on trial yesterday in Cuba for "acts prejudicial to the economy, fraud and illegal economic activity".

Mr Vesco, 60, indicted in the US for cocaine-trafficking and a multi-million dollar embezzlement, has been living in Cuba since 1982. In custody since May last year, he is accused of falsely claiming to have had official Cuban government backing to produce in Cuba and sell an alleged wonder drug, known as "TX" or *Trioxidal, which supposedly* helps to cure cancer and other serious illnesses. According to the prosecution, he duped several foreign businessmen into backing the project with large sums of money, which he then mostly pocketed.

Mr Vesco's Cuban lawyer, *Mr Menelao Mora, said his client* pleaded not guilty. The prosecution is seeking a 20-year jail term for Mr Vesco and 10 years for his Cuban wife, Lydia Alfonso, who went on trial with him.

Haggard, with greying hair and beard and dressed in what looked like a grey prisoner's uniform, Mr Vesco began testifying through an interpreter in a sweltering courtroom at Havana's Popular Provincial Court.

Barely audible at times, he described how he and a friend and business partner, Mr Donald Nixon Jr., nephew of the late US President Richard Nixon, conceived the project to develop the TX drug in Cuba, which is the target of a long-standing US economic *embargo. Mr Vesco named* many senior officials in Cuba's health sector and pharmaceutical and biotechnology industries, whom he said he and his partner had contacted.

The financier's surprise arrest at his Havana home on May 31 1995 touched off a *storm of speculation that Cuba* might offer his extradition to Washington as a means of trying to improve tense US-Cuban relations. Cuban President Fidel Castro quashed this speculation by saying it would be "immoral" for Cuba to extradite Mr Vesco.

US consular officials were present in the building. But so far Mr Vesco has shunned US consular assistance.

"There are pending charges against Vesco in the US ... we are still interested in getting him back," a spokeswoman for the US Interests Section in Havana said.

Among the pending US charges against him is one that accuses him of swindling $224m from Investors Overseas Services, a Swiss-based mutual *fund that he took over in 1970* from Bernie Cornfield, the late American financier.

Acording to the Cuban authorities, he was allowed to live in Cuba in 1982 for "humanitarian reasons". But Mr Vesco, who had also spent time in Costa Rica and the *Bahamas, was widely believed* to be using his business contacts to help Cuba evade the US economic embargo.

Venezuela to use oil revenue for debt fund

By Ray Colitt in Caracas

The Venezuelan government has created a special fund financed with windfall oil revenues to restructure and reduce its $32.6bn public debt.

The move comes after congressional delays in approving a "debt rescue" fund and is seen as a sign of the *government's commitment to tackle* its public debt problem.

"We're sending a positive message to the markets by earmarking these unbudgeted oil revenues to service and reduce the debt," said Mr Roy Ellis, assistant director of public finance.

The government will require congressional approval to use the fund but says such approval is "routine" and will require little time. Congress will not consider the original "debt rescue" bill, which would allow the fund to use proceeds from privatisation, for several weeks.

The creation of the debt fund comes as the government mulls over several schemes to improve the profile of its $27bn foreign debt, of which Merrill *Lynch estimates $1.1bn in* Brady bonds amortises in 1996. One option, says a consultant to the government, is the conversion of Brady bonds into longer-term debt, "similar to the recent Mexican Brady bond conversion".

The government is also pressed to restructure its $5.58bn internal debt, 70 per cent of which will mature in 1997 because of very short maturities and relatively high interest rates.

Negotiations with commercial banks will start soon and, according to Mr Nestor Suárez, director of public finance, consideration will be given to issuing long-term dollar-denominated bonds to replace short-term bolivar-denominated debt to reduce the interest burden.

Part of the government's efforts to improve its international credit rating to investment grade by 1998, says Mr Suárez, is to make all its overdue payments by year-end. Last month, Venezuela paid off most of its arrears on commercial contracts and reached an understanding with Paris Club creditors to postpone payments on $200m of other arrears.

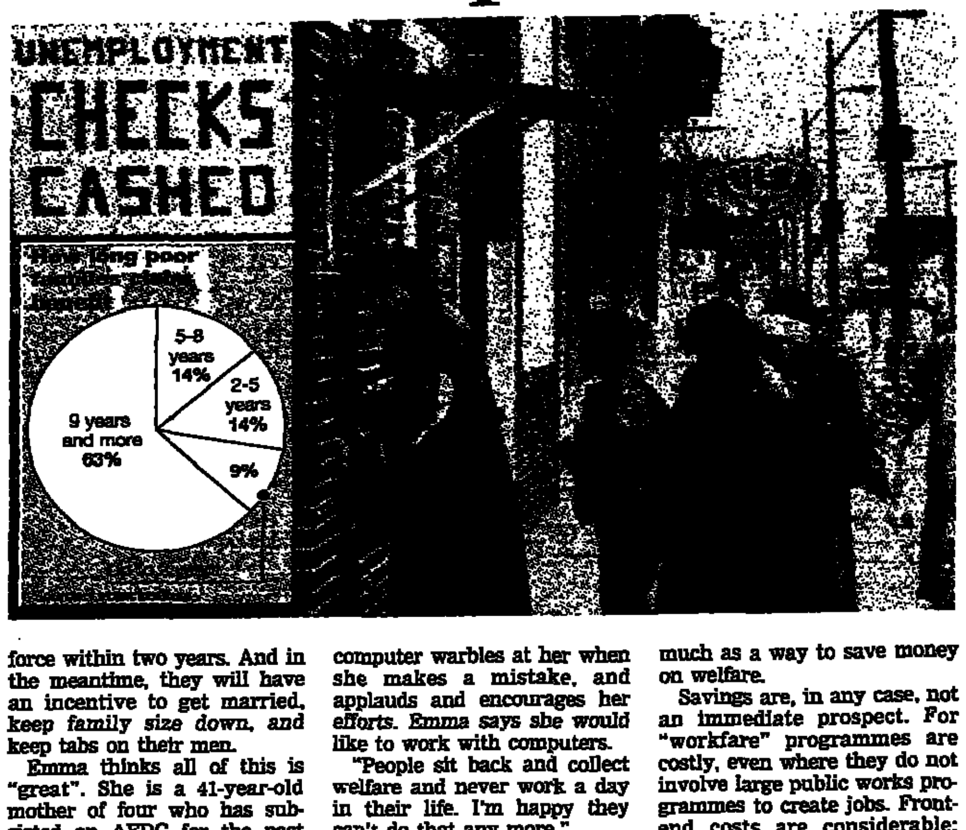
Patti Waldmeir goes where Congress's reforms are already well established

Welfare sees shape of its future

In the waiting room of the Fairfax County Department of Family Services, welfare recipients sit in the peculiar heavy stillness born of poverty and wait to speak to their "self-sufficiency worker" – the person who used to be known as a social worker.

Fairfax County, in northern Virginia, did not wait for President Bill Clinton and Congress to change America's welfare laws. Virginia and 40 other states had already started their own "workfare" experiments, in some cases years before the announcement this week that the president would sign a sweeping welfare reform bill.

From April 1 this year, Fairfax County has required *welfare recipients (with few exceptions)* to get jobs. They have 90 days to find employment or they are placed in unpaid "community work experience", during which they keep some benefits. After 24 months, however, recipients are expected to be almost entirely "self-sufficient". *At that point, their family* benefit, or "Aid to Families with Dependent Children (AFDC)" – the safety net for the poorest American families – stops altogether. Under some circumstances, free health care and food may continue for a year longer.



In addition, minors on welfare are required to live with a parent or guardian, single mothers must help the state to find and compel the father to pay child support, and mothers are encouraged to practise birth control because they receive no further benefit for new children.

The theory is that recipients – most of them single mothers – will become permanent productive members of the workforce within two years. And in the meantime, they will have an incentive to get married, *keep family size down, and* keep tabs on their men.

Emma thinks all of this is "great". She is a 41-year-old mother of four who has subsisted on AFDC for the past five years since she split up with a husband who was "doing crack". She wants to get work, and has already found a low-paid waitressing job. She says she will do two jobs, if she can find them.

"I'm not going to sit here on assistance the rest of my life," she says as she sits at a computer screen in one of the training rooms at the Department of Family Services, teaching herself to type with the help of a cheerful computer programme entitled "Mavis Beacon Teaches Typing". The computer warbles at her when she makes a mistake, and applauds and encourages her *efforts. Emma says she would* like to work with computers.

"People sit back and collect welfare and never work a day in their life. I'm happy they can't do that any more."

Emma has earned the right to say what no liberal critic of welfare would ever venture: "They have babies and they can't take care of them. What are they doing having babies left and right? Make the *men* take care of the children."

No politician could better express the conservative rationale for welfare reform, which is meant to be a great social engineering project – an answer to the problems of illegitimacy, teen pregnancy and the much-decried decline in the American work ethic – as much as a way to save money on welfare.

Savings are, in any case, not an immediate prospect. For "workfare" programmes are costly, even where they do not involve large public works programmes to create jobs. Front-end costs are considerable: Fairfax County provides child care and in some cases transportation so that "welfare *mothers" (most are women)* can work. For the first 24 months, it continues to pay benefit to working recipients, depending on income, along with providing medical care and "food stamps" (Emma gets a monthly $410 AFDC cheque and $367 in food stamps.) And the county is paying a private consulting firm, Maximus, to provide "job readiness training" and help recipients search for work.

Fairfax's welfare mothers get a three-week course to develop their "employability skills", says Mr Akbar Piloti, project manager of Maximus's "Fairfax Works" programme. There they are taught the culture of the workplace – appearance, office etiquette, language skills – along with interview technique, telephone skills and attitudinal training.

"We're trying to make up for years of low self-esteem. We're *trying to teach them how to* fish," says Mr Tom Roberson, "Fairfax Works" regional supervisor.

"This has nothing to do with protecting the capitalist economic system," says Mr Roberson, who is passionate about breaking the well documented cycle of dependency bred by welfare. "It's about what it does for a person, and for their children. It's about making parents role-models."

That is what Emma wants to be, to her children. She got her high school diploma last year and hopes that will encourage her children to do the same. She does not want them ending up on welfare.

And the state of Virginia will be delighted if it can get Emma off its welfare rolls. In Wisconsin, pioneer of state-led reform, AFDC rolls have fallen by 44 *per cent since the changes* started in 1987. Fairfax reports a small decline in welfare applicants since the April 1 introduction of workfare, but it is too soon to gauge long-term effects.

Back in the Department of Family Services waiting room, the lethargy is daunting. Fairfax's "self-sufficiency workers" have their work cut out for them.

Editorial comment, page 11

Concern over credit health of Mexican banks

By Stephen Fidler, Latin America Editor

The US credit rating agency Moody's yesterday expressed serious concerns about the deep-seated structural problems of Mexican banks, and said a recovery of the banking sector would lag behind what would be a sluggish overall improvement in the economy.

In its annual report on Mexican banks, Moody's says: "Restoration of credit health of Mexican banking is likely to be an extended and painful process."

The structural problems still being faced include the banks' doubtful loan portfolios, their heavy requirements to make provisions for such loans, constrained revenues and low – though improving – capital. A recovery of the economy would help the banking system but would be a long process and even longer for the banking sector.

Moody's said the proportion of overdue loans continued to rise into the early part of this year, and Mexican banks also retained 20-25 per cent of the loss potential on loans they have sold to the Mexican deposit insurance fund, Fobaproa. The coverage of overdue loans by reserves has increased but "is still far below international standards when the true level of past due loans is taken into consideration." Mexican banks must switch to US accounting standards next year. Government programmes have been effective in bolstering the capital of the banks, Moody's said.

ATLANTA OLYMPICS

Lewis's bid for 10th title runs into trouble

Amid a debate that has divided the country and even reached the White House, Carl Lewis was denied the chance to win a record-breaking tenth Olympic gold medal when his *name did not* appear in the US 4x100m sprint relay squad announced yesterday. Lewis, who had already won the long jump to add to his eight golds from previous Olympic games, was not a member of the original relay squad, after finishing last in the US 100m Olympic trials and refusing to join the US squad at its training camp.

But since he won the long jump, there had been a public clamour for his inclusion in the relay team.

No Olympian has won more than nine gold medals in modern times and the strength of the US relay team would have given Lewis the ideal opportunity to break that record. The campaign for Lewis's inclusion had even extended to Washington, where US Congressman Ron Wilson wrote to President *Clinton, urging him to lobby for* the athlete's inclusion.

Lewis himself had not made a direct appeal to US track and field officials, but appeared on several TV talk shows saying he would be more than happy to run if asked.

His charm offensive cut little ice with the US relay coach Erv Hunt, however. "Carl has been good about the fact that he would be available for us if needed and we appreciate that," he said.

"He chose not to be a part of [the relay] team by choosing not to practise during our training camp."

But other athletes in the team have been more blunt. John Drummond said that the inclusion of Lewis would have been unfair on those who beat him in the trials.

"He won the long jump. That is not the 100 metres. He got butt-naked last in the trials," he said.

Campaigners in the pro-Lewis camp pointed out he was a specialist in running the anchor leg of the relay, having run the fastest ever time. He brought the US team home in a world record time of 37.40 seconds in the 1992 Games in Barcelona, when he was also originally omitted from the squad but was asked to fill in at the last minute.

Even Michael Johnson, Lewis's heir-apparent as king of American track and field but who has a frosty relationship with the sprinter, had pressed for him to be given his chance:

"I've always believed that you put the best four people out there. If I was the coach, I'd put Carl Lewis on that relay team." But Lewis's critics said the athlete had never been a team player. He has declined to live in the athletes' village during Olympic games and has had *an aloof attitude toward his team-mates.* He has always claimed this was necessary in order to concentrate on his own efforts.

But in Atlanta he found himself in the paradoxical position of relying on his team-mates' goodwill to allow him a glimpse of ultimate glory.

The US relay team, who start their campaign in today's heats, turned their backs on him.

Peter Aspden

Carl Lewis winning the long jump to clinch his ninth gold medal

Surfers net gold in the race for information

Net surfers came to the aid of sea sailors at the Atlanta Olympics, after Info 96, the official results service, was so slow at the start of the games that the *sailors in Savannah nicknamed it* "Info 97".

The problem got serious as sailing broadcasters found the system was causing three-hour delays in passing on race times. To solve the problem, the sailors swiftly turned to the Internet. Race results and even mark roundings and split *times became available on the* World Wide Web as they happened.

At the start of the sailing there were 200,000 visits – or "hits" – to the system from fans around the world. The numbers climbed so steeply that close to a million "hits" each racing day were recorded – a fitting result at what are billed as the first "wired" Olympics.

"Yachties are involved in a sport that demands intuition and initiative, and using those qualities they've managed to bypass a system that was failing and look after their own," said Savannah press centre manager Marcus Hutchinson.

The web material is being used by the television broadcasters on the sailing courses, who were previously hamstrung by long delays in Info 96 relaying mark times for a race that was happening in front of the viewers eyes. "We thought we were going to have put guys out there in rowing boats with stopwatches," said a technician at Television New Zealand, which is host broadcaster at the Olympic regatta.

"It was just bloody appalling and those monkeys up in Atlanta couldn't even see we had a problem." Those closest to the technology problems say IBM, who built the system, were not the principal culprits. The data was in their computers but the Atlanta organisers would not authorise its release to the system without a massively bureaucratic checking system.

On the fast track on the information super-highway - track star Michael Johnson's Internet home page (www.michaeljohnson.com)

Because the International Yacht Racing Union, under its Canadian president, Paul Henderson, had taken the decision six months ago to build its own web site, the situa*tion was curable. IBM looked the* other way while sailors virtually hacked into their database, loaded it on to their own web site and then fed it out to millions of cyber-sailors and grateful TV producers.

IBM's own official web site has been visited by 100m users since the start of the games. IBM's site recorded over 14m visits in a single day this week, as users took advantage of coverage of all the events for free. But, like the difficulties of the results system, the official Internet service has had problems.

Some users complain the results, when available, are hard to understand, difficult to find, and often updated late. Often teams are listed as from an "unknown" country, some schedules and biographies are unavailable, and even details of gold medal winners, such as Irish triple gold medallist swimmer Michelle Smith, cannot be found.

Fred Mcneese, IBM spokesman in Atlanta, admits the system has had problems, with statistical data coming from the same troubled source as provided to international news agencies. But he says: "Overall, we are extremely pleased with the way this service has been received." And novel uses have been found for the new medium: live Internet radio broadcasts and links to cameras recording photo finishes.

IBM expected an enormous level of demand, with the mainframes designed to cope with at least 10m visits a day, but despite powerful mainframe computers in Europe, Japan and the US, users are frequently placed in a queue.

Mr Mcneese says late and inaccurate results can often be blamed on officials at the venues pressing the wrong buttons, or on communication problems.

But the IBM site has also been slow at providing basic news. For example, news of the disqualification of three athletes for drug use on Sunday was reported almost immediately at CNN's Internet site, but didn't appear on IBM's Olympic service until Monday morning.

There are hundreds of other sources of Olympics news on the net, including US magazine Sports Illustrated and telecoms giant AT&T. One of the *most interesting* is Michael Johnson's Going for Gold site (www.michaeljohnson.com), where the US gold medallist in the 400m tells readers about his dreams, his past and his heroes. He even takes questions by e-mail, although he can't answer them all because "I've got a lot on my mind right *now and a lot to do.*"

IBM is upbeat about its use of the Internet and claims $5.3m of credit card sales for tickets to Atlanta events through the Internet. It may be able to exploit the Internet to the full in 1998, when it runs the official Winter Olympics web site from Nagano, Japan.

Keith Wheatley and James Mackintosh

ATLANTA DIGEST

Iraqi weightlifter defects to US

The Iraqi weightlifter who carried his national flag in the opening ceremony of the Olympics has defected and asked for political asylum in the US, Iraqi opposition officials said.

Raed Ahmed dashed out of the athletes' village when Iraqi team officials were not looking and was driven off by an accomplice from the Iraqi National Congress. *AP*

Irish athlete escapes drug ban

Irish athlete Marie MacMahon, who took decongestant tablets containing a *banned substance two days before running in the Olympics, escaped a ban* yesterday despite failing a drugs test.

Senior IOC officials unanimously supported a recommendation to issue only a reprimand to the athlete and the Irish team. Meanwhile, Russian Marina Trandenkova, fifth in the women's 100m, was disqualified after testing positive for the stimulant Bromantan, the fourth Russian to test positive for the drug. *Agencies*

Two Taiwanese held for flag-waving

Two Taiwanese spectators were handcuffed and hauled from the table tennis arena by police for waving a miniature Taiwanese national flag, the IOC said yesterday.

Georgia state troopers carried the two men from the arena and charged them with obstructing police. Taiwan competes under the name Chinese Taipei. Its flag is banned from official events. *AFP*

Results

Badminton

Men's singles final: P-E Hoyer-Larsen (Denmark) beat Jiong Dong (China) 15-12, 15-10. Bronze medal: R Sidek (Malaysia) beat H Arbi (Indonesia) 5-15, 15-11, 15-6.
Women's singles final: Bang Soo Hyun (South Korea) beat M Audina (Indonesia) 11-6, 11-7. Bronze medal: S Susanti (Indonesia) beat Kim Ji Hyun (South Korea) 11-4, 11-1.
Mixed doubles final: Kim Dong Moon-Gil Young Ah (South Korea) beat Park Joo-Bong-Ra Kyung Min (South Korea) 13-15, 15-4, 15-12. Bronze medal: Liu Jianjun-Sun Man (China) bt Chen Xingdong-Peng Xingyong (China) 13-15, 17-15, 15-4.

Hockey

Men's classification play-off: Malaysia 4, US 1.

Today's highlights

Diving: men's platform finals
Athletics: men's and women's 4x100m, 4x400m relay qualifying; javelin: men's qualifying; men's pole vault; women's long jump; women's 10,000m; men's 3000m steeplechase.
Baseball: finals and bronze medal play-off.
Hockey: men's final (Spain v Netherlands), bronze medal (Australia v Germany).
Tennis: women's singles final (A Sanchez Vicario, Spain v L Davenport, US); men's doubles final (N Broad and T Henman, Britain v T Woodbridge and M Woodforde, Australia).

NEWS: INTERNATIONAL

Deep split deadlocks nuclear test talks

By Frances Williams in Geneva

Talks on a landmark pact that would outlaw all nuclear testing were deadlocked yesterday with no agreement in sight on a final treaty due for signing at the United Nations next month.

The 61 members of the UN disarmament conference negotiating a comprehensive test ban pact are deeply split on whether to accept the compromise draft text presented on June 28 by Mr Jaap Ramaker, the Dutch chairman of the 30-month-old talks.

China and Pakistan yesterday said they would insist on changes to the draft to make on-site inspections more difficult, while Iran and some other non-aligned countries said they wanted a stronger commitment to disarmament by the nuclear powers.

India has already said it will not sign the treaty because it does not contain a fixed timetable for total nuclear disarmament.

Most members of the disarmament conference, including the US, Russia, France and Britain which with China comprise the five declared nuclear powers, support speedy adoption of the chairman's draft.

The US said yesterday that no better compromise was possible and that further negotiations on the delicately-balanced text could torpedo the pact.

"It comes down to a choice between this treaty and no treaty at all," Mr John Holum, director of the US Arms Control and Disarmament Agency, told a plenary session of the disarmament conference. "The most probable result of further negotiation is to doom this treaty."

US officials said the pact would need to be completed within two weeks to be ready for signing at the next United Nations general assembly in New York in mid-September. Negotiators have already missed their original deadline of June 28 and hopes that they would conclude this week after a month's break have been dashed.

Beijing, supported by Pakistan, wants to raise the proposed simple majority in the executive council that could authorise on-site inspections to check suspected violations.

The two countries also want to restrict the use of data from sources other than the official test monitoring system, in particular by banning information gathered from espionage.

Mr Sha Zukang, China's disarmament envoy, said the present draft would have "inspectors coming and going like international tourists", a charge ridiculed by western diplomats who point to strict provisions to guard against abuse.

The latest obstacles to agreement come on top of India's threat to veto the pact.

The draft stipulates that 44 states must ratify the accord, including all five official nuclear powers plus India, Pakistan and Israel, the "threshold" states capable of manufacturing nuclear weapons. Pakistan says it will not endorse the treaty without India.

Countries supporting the draft treaty are considering bypassing any veto by sending it directly to the UN general assembly with a sponsoring resolution.

However, this is seen as a last resort since India and others could put down amendments to the resolution and try renegotiating the treaty in the wider forum.

Lebanese PM insists on UN terms for Israel pullout

By Neil Buckley in Brussels and David Gardner in London

Mr Rafiq al-Hariri, the Lebanese prime minister, yesterday rejected suggestions that Israel might withdraw its *troops from southern Lebanon* under certain conditions and said the 18-year-old United Nations resolution calling for unconditional withdrawal remained the only acceptable basis for an Israeli pullout.

Mr Hariri said Lebanon had heard "nothing concrete" from Israel.He was aware only of "talk in the newspapers".

In an interview, the billionaire former businessman said UN Security Council Resolution 425, passed after Israel's first invasion of Lebanon in 1978, was the only acceptable solution. The resolution calls for complete and unconditional removal of Israeli forces.

"If Israel really wants to withdraw from the Lebanon, why do they have to find ways of making papers?" Mr Hariri asked. "Why do we have resolution 425, which asks Israel to withdraw? It is clear, simple, recognised by the whole world. All they need to say is [they] are ready to implement resolution 425. They only need to make a statement of one line."

Lebanese President Elias Hrawi yesterday publicly rejected Israel's new "Lebanon First" policy at an army ceremony marked simultaneously in Lebanon and Syria, which, with 40,000 troops stationed on Lebanese soil, is the power-broker in the country. "If Israel is now convinced that its occupation has not guaranteed its security and wants to withdraw from our occupied land," the president said, "it has to implement resolution 425."

Mr Hariri reiterated a pledge that the Lebanese government would guarantee the security of Israel's northern border if it were to withdraw.

He did not say whether this meant disarming Hizbollah, the Shia militia fighting Israeli occupation. But he said attacks on Israeli forces came from a "resistance force" which developed in response to the occupation. If occupation ended, so would the resistance.

*Any decision to rein in Hiz*bollah, however, would depend on Syria, which licenses Hizbollah actions in part to press its own peace conditions with Israel. Damascus demands the return of the Golan Heights, ruled out by the new hardline government of Mr Benjamin Netanyahu.

Reports yesterday in the leading Israeli daily Haaretz that Mr Netanyahu last month held secret meetings with an unnamed Syrian envoy were denied by the prime minister's office.

Throughout five years of stop-start Israeli-Syrian negotiations, Syria has publicly rejected secret talks, and insisted on US mediation.

Mr Hariri said yesterday that the direct costs of April's 17-day conflict in southern Lebanon were $200m, while the indirect costs could not be calculated. But he said work to repair the damage was progressing, and the fighting had not stemmed private investment flows into Lebanon.

The Lebanese premier said parliamentary elections starting on August 18 would encourage investment by providing further evidence of a functioning democracy.

Mr Hariri was in Brussels with other ministers to meet Mr Manuel Marin, European commissioner for Middle East relations, and diplomats from France and Ireland, which holds the European Union presidency. He will visit Dublin today for talks with Mr John Bruton, Irish prime minister, and Mr Dick Spring, foreign minister.

The parties hope to set a date for an international donor conference on aid to Lebanon, possibly later this year.

Bank doubles funds for IDA

By Robert Chote, Economics Editor, in London

The executive board of the World Bank yesterday allocated $600m of the net income it earned in the last financial year to its troubled soft-loan arm for poor countries.

The amount earmarked for the International Development Association (IDA) was more than double the $250m allocated last year. The World Bank is having to provide more money in part because the US Congress is refusing to give the Clinton administration the funds it has requested to pay off US arrears to IDA.

The administration requested $934.5m to pay off the US arrears during the 1997 fiscal year. However, the House has agreed to provide only $525m and the Senate $700m. A joint conference will determine the final figure, which will obviously be between these two figures and therefore at least $235m less than the administration wanted.

Some 79 countries are eligible to borrow from IDA, as they have incomes per head of $865 or less. But the vast majority of IDA lending goes to countries with per capita incomes of $450 or less.

The World Bank board also agreed to earmark $500m for a trust fund through which the bank will finance its contribution to the initiative on poor country debt which it is struggling to assemble with the International Monetary Fund. Officials expect the World Bank to allocate a further $200m a year in future years to this initiative.

The Bank's net income totalled $1.2bn in fiscal year 1996, down from about $1.35bn last year because of the stronger dollar and a lower interest rate. The Bank also has $710m accumulated from previous years' earnings which were retained for future allocation.

The executive directors also agreed a target under which reserves *would be kept as close* as possible to 14 per cent of the value of the Bank's loans in the 1997 financial year. This is barely different from the 14.1 per cent recorded in the 1996 financial year, but down from 14.25 per cent in fiscal year 1995.

The board also agreed to allocate $250m to waive part of the interest payments due from borrowers with good payment records. The quarter-point waiver is unchanged from the previous year, as is a half-point waiver offered on the commitment fees payable on undisbursed loan balances. These waivers are in effect a subsidy for the Bank's middle-income borrowers.

Relatives in Nablus mourn the death in custody of Mahmoud Jumayal *Reuter*

Palestinians protest at death of Arab prisoner held by PLO

The Palestinian West Bank city of Nablus erupted in demonstrations yesterday in protest against the alleged death by torture of an Arab prisoner held by Palestine Liberation Organisation security forces, witnesses said, Reuter reports from Nablus.

Palestinian lawmakers meeting in the West Bank city of Bethlehem said Mr Mahmoud Jumayal, 26, died from torture. They demanded an end to human rights abuses. Nablus is home to more than 130,000 Palestinians. About 1,000 Palestinians marched in a demonstration denouncing the PLO security force believed to be responsible for his death and paying tribute to Mr Jumayal.

Palestinian officials kept policemen off the streets to avert a confrontation with the demonstrators. Nablus governor Mahmoud al-Alloul promised to punish those responsible for Mr Jumayal's death.

It was the first time Palestinians had observed a general strike against PLO security forces since Israel handed over six West Bank cities to the Palestinian Authority late last year.

Algeria, France try to ease tension

By Roula Khalaf in London

Algeria and France will hold a serious dialogue on a wide range of issues, Mr Hervé de Charette, French foreign minister, said yesterday at the end of a two-day visit to Algiers.

The trip was aimed at smoothing strained relations with the former French colony and turning the page on the abrupt cancellation last October by Algerian President Liamine Zeroual of a meeting in New York with French President Jacques Chirac.

After meeting Mr Zeroual yesterday, Mr de Charette said the two countries would hold a series *of ministerial* meetings and he invited Mr Ahmed Attaf, Algerian foreign minister, to visit Paris.

Relations between France and Algiers have suffered since the 1992 eruption of the conflict pitting Islamic militants against security forces.

The conflict spilled over to France last summer in a spate of bomb attacks blamed on Islamic extremists. Seven French monks were killed in Algeria in May.

Among issues in dispute are a French decision to shift Air Algerie flights to a special terminal at Paris' Roissy-Charles de Gaulle airport on security grounds. Algiers sees this as discriminatory.

Europe seeks role in chip pact

By Nancy Dunne in Washington

As Japanese and US negotiators were yesterday striving to establish a new mechanism for trade in semiconductors. Mr Peter Carl, the EU observer at the talks anxiously awaited a decision on whether European companies would be allowed to participate.

EU semiconductor manufacturers maintain that they have lost out as result of the US-Japan semiconductor accord which expired on Wednesday. When the accord was first negotiated, the US suggested that the pact would be advantageous to all manufacturers in gaining access to the Japanese market, yet the EU market share of about 1.5 per cent has barely grown over the duration of the pact. European companies have often complained that US companies were given preferential treatment.

Japan has been pushing for the formation of a world semiconductor council to include the EU and, perhaps South Korea and other large manufacturers of computer chips. The US has consistently resisted a such a multilateral deal and said that the EU could join only if it agrees to lift its tariff on semiconductors.

EU officials say this is "an impossible price" because the tariff is the subject of negotiations between the industrialised countries and some Asian countries to eliminate tariffs on high technology products.

Sir Leon Britain, EU commissioner for trade, said the EU will block further negotiations on an international technology pact if it is left out of a semiconductor agreement.

Following the missed deadline, negotiators thrashed out a framework for a deal but spent considerable time trying to reach agreement on the details. The two sides were bickering over whether or not market share data collected by the industries in both countries could be interpreted by the governments as an indication of market openness.

EasyJet attacks KLM on pricing

By Gordon Cramb in Amsterdam

EasyJet, the upstart of the UK airline industry, yesterday landed a legal challenge at the door of KLM, accusing the Dutch company of predatory pricing and abuse of a dominant position on the Amsterdam-London route.

Mr Stelios Haji-Ioannou, the Greek shipping heir whose Luton-based EasyJet has been aloft only eight months, flew into Amsterdam's Schiphol airport to allege that the privatised flag carrier had a "declared plan to drive EasyJet out of the Dutch market."

KLM last night acknowledged the existence of an internal memorandum which spoke of the need "to stop the growth and development of EasyJet and to make sure that this newcomer will not be able to secure a solid position in the Dutch market." But it insisted that the communication – understood to have been made available via the company's computer system to many if not all employees – did not carry the status of an official KLM document.

The airline refused to identify the author, whose rank is said to be senior.

The memo warned: "Examples from the past have proven that newcomers with very low prices and an unadorned product should not be underestimated," citing British Midland as one carrier which had made a successful incursion into the Dutch market. "For this we have to make sacrifices. For KLM lower income and for the travel agent lower commission (because of the lower tariff) for reserving the tickets."

The no-frills, ticketless EasyJet embarked on the Amsterdam route in late April, offering a one-way fare to Luton of Fl 99 ($59). In June KLM, whose cheapest regular fare had been Fl 405 return, weighed in with a Fl 95 one-way offer. KLM – which then had up to 40 per cent of the London market – accompanied this with a promotional campaign in the Dutch press billing the fare as an "Easy Choice".

"Even I can understand that and I don't speak Dutch," said Mr Haji-Ioannou. KLM had launched "a disproportionate reaction, specifically targeted at one carrier". A lawyers' letter due to be delivered to KLM yesterday demanded that it "cease its unlawful actions" within seven days or EasyJet would take action seeking damages in the English or Dutch courts, or both.

A KLM official said: "We do not regard this notification as a reason for meeting any of these demands. We are a commercial organisation and operate in a free aviation market."

Other carriers on the London route – which include British Airways and British Midland as well as KLM's Transavia subsidiary and Air UK affiliate – subsequently matched the prices. But the EasyJet owner, the 29-year-old son of a Greek Cypriot shipping family, said airlines such as BA were merely responding to KLM's price cuts and he had no complaint against them.

Mr Haji-Ioannou said he could also take the issue to the European Commission, which has the power to fine KLM as much as 10 per cent of its annual turnover. On KLM's revenues last year, that would be Fl 954m.

The largest fine imposed by the Commission under the relevant Article 86 of the European Union's founding Treaty of Rome was Ecu75m ($95m) levied on Tetra-Pak of Sweden. That case, involving abuse of market dominance in packaging machines and cartons, took the best part of a decade.

Mr Haji-Ioannou admitted he was losing money on the Amsterdam route, which its Boeing 737s fly three times a day in each direction. Revenue targets out of London, where the price war has not been as acute, were satisfactory but EasyJet's ability to sell in the Dutch market had been impaired. He had also needed to spend more on advertising to counter KLM's campaign.

He indicated that EasyJet could maintain the route for at least six months but added: "If we cannot succeed in the Dutch market we will have to take our planes and go elsewhere." The airline currently flies to Edinburgh, Glasgow, Aberdeen, Barcelona and Nice.

US close to lifting ban on tuna imports

Bill follows pact to protect dolphins from fishing nets

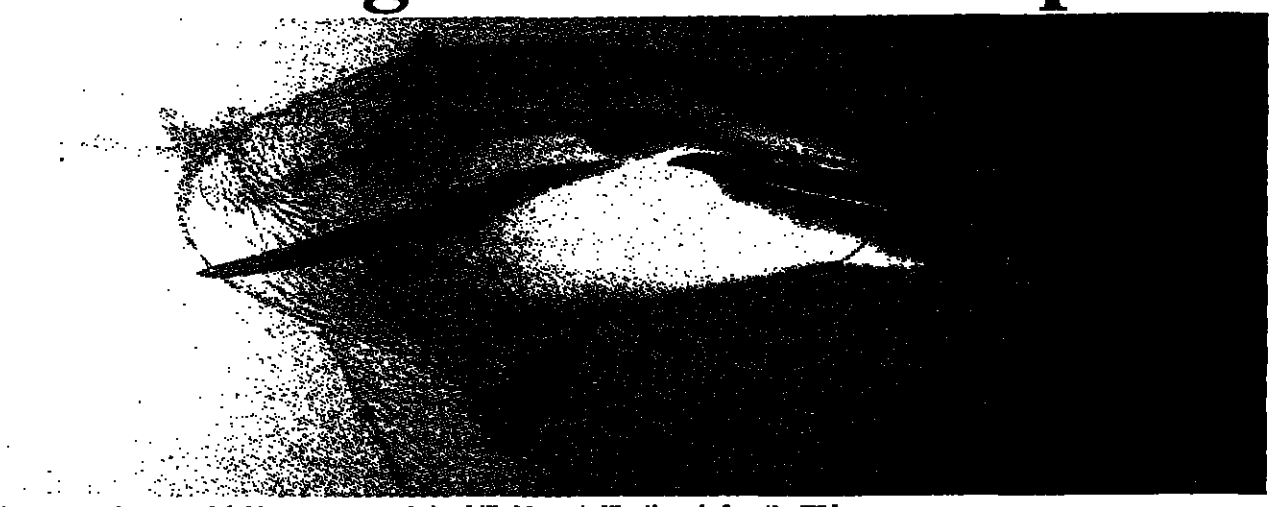
By Nancy Dunne in Washington

The US House of Representatives has passed a bill lifting a six-year embargo on tuna fish imports imposed to protect dolphins in the eastern Pacific.

If the bill passes the Senate, as expected, it will remove Mexico's threat to bring a potentially embarrassing complaint against the US tuna embargo to the World Trade Organisation.

The bill follows agreement by governments in the region – an area of more than 5m square miles stretching from southern California to Chile – to institute reforms to keep dolphin from being killed in the circular mile-long nets used to catch tuna.

The agreement, reached last year in Panama, was signed by 12 nations: Belize, Colombia, Costa Rica, Ecuador, France, Honduras, Mexico, Panama, Spain, Vanuatu, Venezuela and the US.



An estimated 130,000 dolphins a year were being killed by nets like these before the US ban

The US lost an earlier case against the ban, brought by Mexico in the General Agreement on Tariffs and Trade. The decision enraged many environmentalists. "Tuna/Dolphin" became the rallying cry used by many environmental groups which opposed creation of the WTO.

An estimated 130,000 dolphins a year were being killed until the US ordered American fisherman to stop using the huge circular nets and ultimately banned tuna imports from countries where the practice persisted. Reforms were instituted to allow the dolphin to escape the nets, and the number of deaths has dropped below 5,000, according to the US Commerce Department.

Currently, canneries cannot use the term "dolphin safe" on tuna caught in the circular nets. This would be changed under the new legislation. The "dolphin safe" label could be used as long as independent observers on the fishing boats certify that no dolphins were killed in the catch.

The pact negotiated in Panama establishes a permanent mortality limit to reduce dolphin deaths to no more than 5,000 a year; gives each vessel a limit on deaths; works to reduce deaths of sea turtles, small fish and other species; and strengthens the enforcement and monitoring system.

Although environmental groups – including Greenpeace and the National Wildlife Federation – helped negotiate the pact, some environmental groups oppose the legislation, calling it "the dolphin death act". They favour two other tuna fishing techniques.

Groups in favour of the act say dolphin will continue to be protected as much as possible.

Vice president Al Gore has pushed the act through Congress. He has warned that proposed amendments could mean an end to the Panama accord and a return to the dangerous practices of years ago.

WORLD TRADE NEWS DIGEST

EU joins action on Brazil tariffs

Pressure on Brazil to relax its restrictions on vehicle imports has mounted with a decision by the EU to join Japan in laying a complaint before the World Trade Organisation (WTO).

An EU representative in Brasilia said it would use WTO procedures to join a complaint lodged by Japan on Tuesday, rather than launch a separate action, after informal negotiations in Geneva failed to resolve differences between the trading partners arising from duties introduced by Brasília last year.

"The decision has been taken," he said, adding that because of WTO procedures the EU would not formally join Japan's complaint until early next week. Brazil increased motor vehicle import tariffs from 32 per cent to 70 per cent in March 1995. Since December, manufacturers operating in the country have been allowed to import vehicles at tariffs of 35 per cent. Japan and the EU say this discriminates against other manufacturers. The US and South Korea have also objected to the tariffs; diplomatic sources said the two countries were expected to lodge similar complaints at the WTO this month.

Brazil's trading partners have rejected an offer that would allow vehicle manufactures not based in the country to import 40,000 vehicles in the next year at the 35 per cent tariff. He said Brazil's vehicle imports from all countries were "at a virtual standstill" this year, after imports of about 300,000 vehicles in the first half of 1995. *Jonathan Wheatley, São Paulo*

Suez bridge contract signed

The Egyptian National Railroad Company has signed a contract with an international consortium to build a bridge over the Suez Canal, connecting the Nile Delta with the Sinai. The consortium, led by the German Krupp Stahlbau Hannover, includes Besix of Belgium and Orascom of Egypt.

The bridge is to be used by both road and rail traffic, making the 600 metre structure the world's longest dual usage bridge. Located 120km north-east of Cairo, the bridge will link the Egyptian railway network to the Sinai. It will also provide a road link between the border town of Rafah, adjacent to Palestinian-controlled Gaza, and the west bank of the Suez Canal.

The original Firdan bridge was destroyed in the 1967 Arab-Israeli War. The new bridge, to be built on the same site, will be designed as a drawbridge in order not to restrict traffic on the canal. The Egyptian government is financing the project at a cost of E£226m ($66.5m). It is expected to be completed in 1998. *Sean Evers, Cairo*

Siemens wins Indonesia deal

Siemens of Germany has won a contract worth more than DM500m ($340m) to add over 400,000 telephone lines to the telecoms network in eastern Indonesia over the next three years.

Siemens said it would set up a complete network for private regional telecoms operator PT Bukaka SingTel International (BSI), using optical fibre lines. Indonesia has 190m people but just 2.4m telephone lines, a ratio of one line per 100 people, compared to 50 per 100 in Germany. *Reuter, Bonn*

■ A consortium led by Adtranz, the transport joint venture between ABB and Daimler-Benz, has won the Ecu320m ($406m) contract for the second stage of the Shanghai metro.

The company, which completed the metro's 16km first stage in 1995, will construct a 14km line and supply 35 six-wagon trains. The new line will carry 40,000 passengers an hour in each direction. *Stefan Wagstyl, Industrial Editor*

Tourism far from buoyant in scuba-diving islands paradise

Despite excellent scuba-diving and a claimed eighth wonder of the world, the Philippines is missing out on its tourist potential because of poor transport facilities and misguided promotions, writes Edward Luce

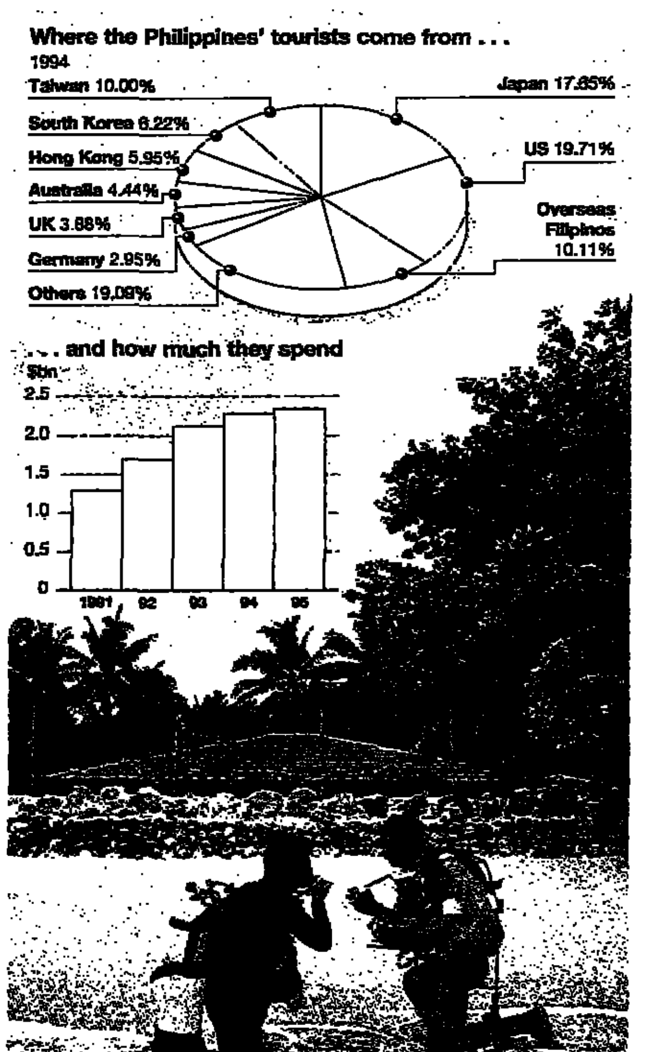
At the Christmas village near Manila – site of "the longest Christmas ever" according to the promoters – it is easy to see why the Philippines has failed to cash in on its promising tourist potential. Designed to attract more foreign visitors to the country, the nativity complex stands as a garish monument to aesthetic miscalculation.

Built partly with funds from the department of tourism, the village has not proved a hit with overseas tourists although the theme park has struck more of a chord among Filipinos. For some, though, the 365-days-a-year Christmas village, which, it was hoped, would highlight the country's Catholic heritage in non-Christian Asia, symbolises the Philippines' failure to attract tourists in large numbers.

With only 1.8m visitors a year, compared to 6.3m for Thailand and 7.1m for comparatively tiny Singapore, the Philippines has a long way to go to catch up with other destinations in south-east Asia. With $2.3bn in tourist receipts last year, the country netted less than 1 per cent of global tourist revenues. Boasting 7,100 mostly pristine islands and some of the best scuba diving grounds in the world, the Philippine government thinks it could clearly do much better.

"The problem is that the government does not seem to be promoting the Philippines in the most effective way," said Mr Patrick Blum, head of Blue Horizons tour operator. "The government has been stressing themes like shopping and eating which, to be frank, are not among the country's strong selling points. What they should be doing is promoting things like eco-tourism and the friendliness of the people."

Ms Mina Gabor, appointed secretary of state for tourism earlier this year after Mr Eduardo Pilapil stepped down over allegations of corruption, says that the government's "tourist masterplan" – which targets specific regions for fast-track development and aims to boost arrivals to 3m by 1998 – has begun to turn the tide. Arrivals have grown by 20 per cent since 1994 although most



suspect that the bulk is accounted for by higher business arrivals.

More to the point, visitors tend to stay longer and consequently spend more in the Philippines than in most neighbouring countries. At 11.5 days a head the Philippines compares well to Singapore's 3.4 days. The government's aim, says Ms Gabor, is to persuade more visitors to stay longer.

"We don't want to become a mass tourist destination like Thailand," says Ms Gabor. "Backpackers don't tend to spend very much and it is doubtful that we have the infrastructural capacity to accommodate many more of them. What we want is to attract more high-spending visitors both for tourism and other sectors like conferencing and business seminars.

As the largest industry in the world and potentially one of the biggest in the Philippines – in 1995 tourism accounted for 3 per cent of Philippine gross domestic product – the government says it attaches high priority to development of the local tourist industry. With a budget this year of just over 1bn pesos ($40m), however, critics say that the department of tourism is being asked to accomplish the impossible on a shoestring.

For many, the tourist masterplan is at best only a partial success. "In countries like Malaysia and Indonesia the government matches private sector funds for overseas promotion campaigns with equivalent funds of its own. Here we are lucky to get 10 per cent," said Ms Mina Tanchi, a tour operator and former president of the Asean (Association of South East Asian Nations) tourist association.

"In other countries, too, governments try to integrate tourist development with other forms of development – in the Philippines there are three government departments in charge of roads. What sort of road policy is that?" The upshot is a country littered with half-completed road projects.

To reach Banaue, for example, the ancient rice terraces 230km north of Manila known locally as the "eighth wonder of the world" and potentially the most lucrative tourist magnet in the Philippines, takes up to 12 hours by road from the capital and often more during monsoon season. The road journey from Baguio, the nearest airport to Banaue, takes almost as long.

By contrast, the deregulation of the domestic airline industry last year is expected to improve the convenience of air travel in the Philippines. Philippine Airlines, which schedules most of its provincial flights from Manila between 2am and 6am, is not considered "customer friendly".

Some of its new rivals, including Cebu Air and Grand Air, have less arduous timetables. Only Cebu, however, a popular resort destination for Japanese tourists, can so far boast a regular international connection.

"One of the big problems is Manila which is considered by visitors to be polluted and traffic-clogged," said Mr Blum. "If there were more direct international flights to provinces in the Philippines it would make a very big difference."

Fined airline appoints maintenance chief

By Michael Skapinker, Aerospace Correspondent

British Midland, which was fined £150,000 last week after one of its aircraft took off without engine covers and was forced to make an emergency landing, will today announce that Mr Frank Turner, former managing director of Lucas Aerospace, is to take responsibility for maintenance and engineering.

The airline was also heavily criticised last week by an air accidents investigation report into the incident, which occurred in February 1995.

But Sir Michael Bishop, the airline's chairman, said the appointment of Mr Turner did not result directly from the report or the fine at Luton Crown Court but followed a review of operations after the incident.

He said British Midland was following the trend in the airline industry of placing responsibility for engineering and maintenance in a separate organisation. Mr Turner will be responsible for all the airlines controlled by Airlines of Britain Holdings, the company that controls British Midland. These include Manx Airlines, Loganair and Business Air.

Mr Turner, 53, was managing director of Lucas Aerospace from 1992 until last year, when he left after a management reshuffle. He previously worked for Rolls-Royce, where he was director of the civil aero engines business.

The air accident report said British Midland engineers had failed to replace the engine covers after a routine inspection before the flight. The report praised the British Midland flight crew and air traffic controllers for their prompt action in making an emergency landing at Luton Airport after the captain noticed that the oil had drained from both engines of the Boeing 737.

It called for changes in British Midland's approach to maintenance and recommended changes in the way the Civil Aviation Authority monitored airlines.

It said the CAA, which is increasingly delegating responsibility for safety to airlines, had failed to identify the lapses at British Midland. The CAA said last month that it was increasingly monitoring airlines' safety procedures rather than the details of how they implement them.

The air accident report said the airline had to ensure in future that it had sufficient staff to carry out aircraft maintenance properly. It stated that understaffing of the night maintenance shift had been commonplace at the airline.

On the night that the engine inspection was carried out, there were two licensed inspectors on duty instead of the six that should have been available.

The airline said it had taken on additional maintenance staff since the incident and had also recruited a new senior technical executive from the CAA nine months ago.

Labour threatens rail industry with windfall taxation

By George Parker, Political Correspondent

The Labour party yesterday said it may extend its proposed windfall tax to the privatised rail industry, after 49 former British Rail managers made an £80m ($124m) profit from the sale of a train leasing company.

Mr Gordon Brown, the opposition Labour party's Treasury spokesman, said the profits from the £825m ($1.27bn) sale of Porterbrook to Stagecoach, the bus and train company, marked the start of "a new round of privatisation abuses".

Mr Brown said he would give more details about the windfall tax on the privatised utilities in a keynote speech in September.

But a senior Labour official said: "This sale may force us to look at the privatisation of rail when we are looking at the windfall levy."

Mr Robert Sheldon, chairman of the Commons public accounts committee, confirmed yesterday that the sale of Porterbrook would be subject to a full investigation.

Labour claims Porterbrook may be the first of a number of rail businesses to be sold at a large mark-up on the privatisation price. The business was sold for £527m to a management buy-out team in January.

The sale of the company will generate profits of about £80m for former BR managers and staff.

Management and staff put up £15m of the £75m initial equity, with the rest financed by the merchant bank, Charterhouse, and other banks.

Six executive directors, including Mr Sandy Anderson, the managing director, will be the main beneficiaries. Mr Anderson's 210,000 shares are worth £33.6m. Other big winners are Mr Ray Cork with £15.5m and Mr Tim Gilbert with £9.9m.

A further £20.9m will be shared among the company's 45 other staff, giving windfalls of almost £500,000 each to staff from senior managers to secretaries.

Mr Brown, speaking at a Westminster news conference, said: "We are seeing not only the first Tory rail privatisation millionaires, but also evidence of the scandalous undervaluation of our national assets."

Labour is also concerned about Stagecoach's growing prominence in the rail sector.

Mr John Swift, the rail regulator, has launched a review of the competition issues of a train operator acquiring a train leasing company, and has warned the sale may be referred to the Monopolies and Mergers Commission.

Tyne shipbuilders forge ahead

Equipment for marginal oil fields helps to reopen dusty order books

As the tanker Maersk Dorset arrived in the Tyne, north-east England, yesterday, management and workers at some of the river's leading companies were pondering what a difference three years made.

The Maersk Dorset is to be converted into a Floating Production Storage and Offloading vessel for the new Curlew oil and gas field in the North Sea at a cost of £200m ($312m). At least £150m will be spent with Tyneside companies.

Maersk Dorset is the sixth FPSO contract in which the Tyne has played a role and this time the river has the lion's share of the work.

FPSOs, a fusion of shipyard and oil industry technology which offer a flexible, movable means of tapping marginal field reserves, are among the most promising new opportunities to emerge from the international oil and gas industry.

The UK government's Offshore Supplies Office forecasts that they will be needed in up to 122 new fields worldwide over the next five to seven years. FPSOs can be purpose-built or, as with the Maersk Dorset, converted from tankers or other vessels.

The Tyne, with its cluster of complementary shipbuilding, ship repair and offshore industry skills, now claims to be the European centre and market leader for FPSO conversions.

Some competitors, including Harland and Wolff of Belfast and Spanish shipbuilder Astilleros Espanoles, have also successfully tapped the FPSO market, but the Tyne's claim finds industry support.

"I believe with the combination of the traditional shipyard skills and the experience of North Sea design and construction the Tyne is probably leading the field in FPSOs in Europe," said Mr Austin Hand, project manager for Shell UK Exploration and Development's Curlew field.

Yet this is a river where only three years ago the last shipbuilder, Swan Hunter, was in receivership and where offshore fabricator, Amec, and ship repairer, A & P Tyne, – the biggest Tyneside beneficiaries of the Maersk Dorset FPSO conversion – were struggling.

Tyneside employers overseeing a revival: from left Barry Johnson, David Hewitt and Denis Scott

Ted Ditchburn

In the 1980s, the rivers Tyne and Tees built 80 per cent of all topsides – the modules of rigs above the water – in the North Sea's UK sector. There were fears that as the market moved towards more marginal fields where fixed rigs were commercially uncompetitive, the region would lose out.

At Amec Process and Energy's Tyneside yards Mr Denis Scott, the operations director, said that companies had become "fat and lazy". "When the times got tough, we really had to look at ourselves hard to become more efficient."

There were 750 people on Amec's Tyneside payroll a year ago; this now stands at 2,433 and its order book is well over £200m.

At A & P Tyne, which has the lowest employment costs of any western European competitor country except Portugal, Mr Barry Johnson, its managing director, stressed the importance of the Tyne's range of smaller specialist companies, from shotblasters to ropemakers.

Swan Hunter, whose name and Wallsend yard were sold last summer to a Dutch investor for offshore-related work, is contributing to the Tyne's resurgence with a £50m contract to convert bulk carrier Solitaire into a cable-layer.

Ironically, the shipbuilder's demise has contributed to the Tyne's rise as an FPSO conversion centre. A & P could not have entered the FPSO field had it not gained space through its purchase of Swan Hunter's Neptune yard.

And many members of the Swan Hunter design team, described by receivers as the company's "golden nugget", have found a role in FPSO work, in a new company based in the shipyard's offices.

Armstrong Technology Associates, whose managing director Mr David Hewitt is Swan Hunter's former head of design, has a core team of 28 people, all ex-Swan Hunter, and employs another 52 – also mainly former "Swans" – on contract.

Given the cut-throat competition and speed of change of the oil and gas industry, Tyneside is not complacent about its stake in FPSOs. The real breakthrough, said Amec's Mr Scott, would be to see Tyneside-made floating production systems installed somewhere like West Africa or the Gulf of Mexico. "We need to be able to compete against the Japanese, the Koreans and Americans for their local markets," he said.

Chris Tighe

Factory activity strengthens again

By Graham Bowley and Robert Chote

Manufacturing activity strengthened again in July for the second month in a row as new orders rose to the highest level since March 1995, a survey showed yesterday.

But the latest monthly report by the Chartered Institute of Purchasing and Supply painted a less upbeat picture of the manufacturing recovery than other recent surveys.

It confirmed manufacturing was now recovering after recession earlier this year thanks to rising consumer demand but suggested the recovery may be gradual rather than immediate.

Companies laid off staff for the third month in succession. And price competition among suppliers caused the sharpest decline in industrial goods prices since the survey began in 1991.

The subdued inflation outlook and the sluggishness of the manufacturing recovery suggests the door may still be open for Mr Kenneth Clarke, the chancellor of the Exchequer to make another cut in interest rates in spite of the current strength of consumer spending.

However, a separate study published today by one of Britain's leading forecasting groups predicts interest rates have fallen as far as they are going to and will have to rise next year to restrain inflationary pressures.

Forecasters at the London Business School said that economic growth would accelerate to an annual rate of well over 3 per cent next year, with consumer spending strengthening, exports picking up and construction recovering.

But the LBS added that the interest rate increases needed to keep inflation in check would slow the economy's expansion in 1998 and 1999.

Tax purge may hit shipping market

By Kerin Hope in Athens and Jim Kelly and Clay Harris in London

One of the leading Greek shipowners active in the UK is at the centre of a tax crackdown which could threaten the London shipping market, the largest in the world.

A raid two weeks ago on Kappa Maritime – the UK operation of Mr Pantelis "Lou" Kollakis – and many of its professional advisers, has brought to light investigations being undertaken by Britain's Inland Revenue into the shipping sector and Greeks in Britain.

It also suggests there is some foundation to fears expressed by other Greek shipowners – who have issued veiled threats that they may desert the London market – that the tax authority is interested in more than just Mr Kollakis.

The raid has raised questions about the durability of the favourable tax status of the shipowners and their operations – one of the reasons London has remained the world's leading market for matching ships and cargoes long after the disappearance of Britain's own merchant fleet.

Like other shipowners, Mr Kollakis's UK operation is an "agency": ultimate decisions are supposed to be made abroad. This allows the hire charge for ships to escape UK tax. Kappa paid less than $6,600 in UK tax in 1994-95.

A lawyer in Greece said this week: "The usual arrangement in shipping is that your official headquarters is a Liberia or Panama-based company with a branch in Piraeus, the port of Athens, that operates under special Greek legislation for shipping companies. There is no tax liability in Greece.

"The London company is also a branch operation. Such arrangements, both in Greece and London, are designed by governments to accommodate shipowners." Each ship is owned by a different company, registered in Panama or under another flag of convenience such as Liberia, Malta or Cyprus. The ships are managed by another offshore company, which has a branch in Piraeus.

Mr Kollakis has at least 20 vessels, mostly bulk carriers and ships which carry refrigerated cargoes, with an average age of above 20 years. He also part owns Pallion Engineering, a shipyard in Sunderland, north-east England.

UK NEWS DIGEST

Baring creditors row over cash

A legal dispute over the rights to S$47m ($33.6m) cash held by Baring Futures (Singapore), the futures and options sales unit formerly headed by the jailed trader Mr Nick Leeson, is to go to the Court of Appeal.

The High Court ruled on Wednesday that ING Barings, owner of former operations of Barings, the merchant banking group that collapsed last year, did not have the primary claim on the cash as a creditor of Baring Futures.

It accepted a claim by administrators of Barings employed by the accountancy firm Ernst and Young, that they were first in line for the cash, returned to Baring Futures by the Simex futures exchange after the collapse.

If Ernst and Young wins the appeal, it may be able to make payments to Barings' bond holders, who are the main creditors of the former bank. However, liquidators of Baring Futures in Singapore are pursuing separate legal claims.

ING Barings believed it had a right to the cash because it paid over S$80m to trade creditors of Baring Futures at the end of last year. These payments were made to ensure that it was allowed to restart operations in Singapore.

However, Ernst and Young argued in court that ING Barings was not a conventional creditor of Baring Futures because of the terms of the acquisition, under which it was ring-fenced from taking on Baring Futures' liabilities. *John Gapper, London*

■ LLOYD'S

Action group alarms market

An eleventh-hour attempt by rebel Lloyd's of London Names to force extra concessions from the insurance market's recovery plan is expected to reach its first court stage early next week. Last night, Mr David Rowland, Lloyd's chairman, reacted angrily to the legal challenge by the Paying Names' Action Group. He warned in a letter to the group that their application for judicial review could cause damaging confusion as approval was sought for the recovery plan by the August 28 deadline.

Mr Rowland said Lloyd's was "straining every sinew" to finance the plan, which includes a £3.2bn ($4.99bn) out-of-court settlement offer to loss-making and litigating Names, individuals whose assets have traditionally supported Lloyd's. PNAG members were "very significant beneficiaries of the settlement," he said.

Lloyd's said last night it had received its first acceptance for the recovery plan. Meanwhile, votes by the Merrett 418 and Cuthbert Heath Names associations indicated overwhelming support. *Ralph Atkins, London*

■ NEW CARS

Sales forecasts optimistic

Growing signs that nearly 500,000 new cars with the latest P registration prefix will be sold in August have raised confidence that the market could top 2m this year – for the first time since 1990.

The optimistic forecasts are underpinned by strong indications of returning confidence among private buyers. Their absence had contributed significantly to the poor profitability of many carmakers and declining margins among distributors.

This month's sales bulge is expected to be the last, however. The industry is in talks with the government on a substitute registration plate system which would distribute sales more evenly throughout the year. *John Griffiths, London*

■ REGULATION

Clampdown on pyramid selling

Proposals to curb the activities of pyramid trading schemes were published yesterday by the Department of Trade and Industry.

The proposed new regulations on contracts and promotional material are aimed at clamping down on "get-rich-quick" operations that are bound to fail.

The regulations were described by the DTI as the minimum needed to protect participants without harming legitimate enterprises such as catalogue agencies.

The return of pyramid schemes was illustrated by the recent court actions against the Titan Business Club, a money circulation scheme. Titan was closed by the High Court last month after a senior judge ruled it an illegal lottery. In the Titan scheme, members paid a £3,000 ($4,680) joining fee and then recouped their money and possibly made profits by recruiting others.

Such money-circulation schemes are guaranteed to result in losers, the DTI argues.

"By the time you get to the seventh level of such schemes, you have to have the entire population of the US and China contributing," said the DTI. *John Mason, London*

■ WORK METHODS

Council spearheads innovation

Birmingham Council is to introduce high-tech working methods among its 40,000 employees in an attempt to cut spending on office space. The council, which is the largest local authority in England and Wales, hopes to cut spending on accommodation by 20 per cent this year, and a further 10 per cent next year.

Tele-working – where some officials work at home via computer links – has already been introduced on a limited basis in some council departments. Now there are further plans to move staff to satellite offices in schools, libraries and leisure centres.

The aim is to free enough office space to sell two city centre properties to developers. The capital receipts could be used for alternative projects. *Richard Wolffe, Birmingham*

■ HOUSING

Price rises top 5%

Annual house price rises topped 5 per cent last month, for the first time in seven years, according to Halifax, the biggest mortgage lender. The society's house price index, published today, reports that the average price of a home rose by 0.5 per cent in July to £64,286 ($100,286).

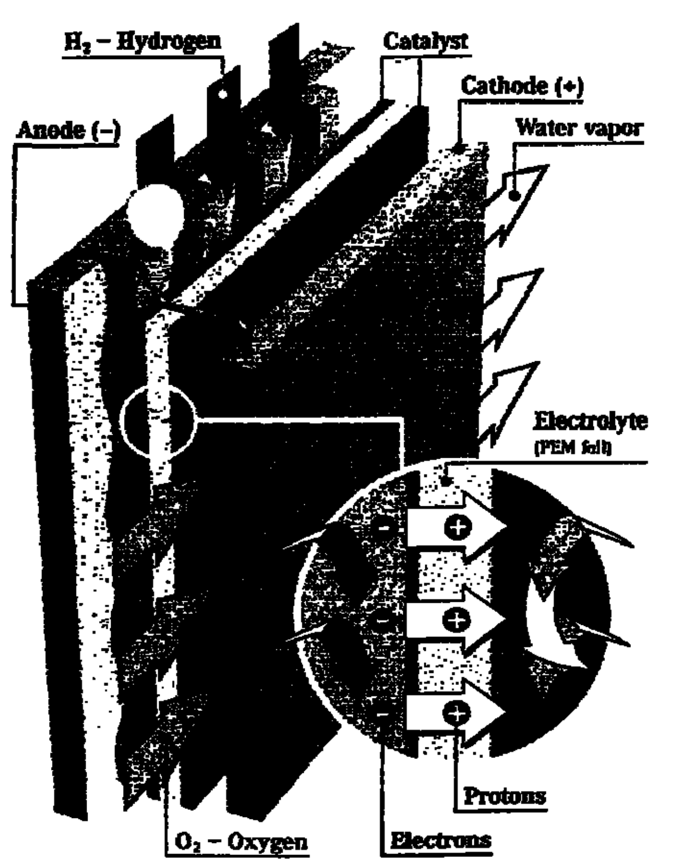
This left prices 5.3 per cent higher than in the corresponding month last year. Last month's increase wipes out a 0.4 per cent dip in prices in June. Halifax said that price fluctuations in the past two months supported its view that house prices would remain broadly stable during the summer "before starting to edge up once more, towards the end of the year". *Andrew Taylor, London*

TECHNOLOGY

The fuel cell's commercial potential could soon be translated into reality, explains **Clive Cookson**

Energetic performer

How the Fuel Cell works



The fuel cell has long been one of those developing technologies about which cynics say: "It always has glowing commercial prospects 20 years in the future."

However, recent progress in cutting the costs and improving the performance of fuel cells has been so rapid that there really does seem to be a good prospect of the technology going into mass production as a clean energy source in the next century, both for moving vehicles and for stationary power generation.

A fuel cell delivers electrical power from a chemical reaction, like a battery. The difference is that the reactants are built into a battery; when they are used up, it must be thrown away or recharged electrically by driving the reaction in the opposite direction. A fuel cell has no stored chemicals – it will keep going for as long as reactants are fed into the cell.

Two developments earlier this summer highlighted the progress being made. In California, a 2MW demonstration fuel cell plant began to deliver power to 1,000 homes in Santa Clara.

And in Berlin, Daimler-Benz, the German automotive giant, unveiled "the first car in the world powered by a fuel cell which is suitable for everyday operation". The experimental Necar II vehicle – based on the new Mercedes V-class – is a huge improvement on its predecessor, the Necar I built in 1994. That was a van in which the whole interior was taken up by the fuel cell and various drive components.

"Two years ago we knew that we had grasped the basic problems of fuel cell drive," says Hartmut Weule, Daimler-Benz research and technology director. "At that time, we expected that application in a [commercially produced car] would not be possible until well after 2020." Now the company thinks 2010 is a possibility.

Daimler-Benz has also devoted considerable resources to developing battery-powered electric cars in anticipation of pollution controls that are expected to penalise internal combustion and diesel engines in the next century. But the company sees "vastly greater potential" in fuel cells because their range is greater and they can be refuelled in far less time than a battery takes to recharge.

The first generation of mobile fuel cells will run on one of the simplest chemical reactions: $2H_2 + O_2 = 2H_2O$. Hydrogen reacts with oxygen (from the air) to form water.

The reaction is the same as burning hydrogen, except that the energy is released as electricity instead of heat. It is the opposite of electrolysis, the process in which a current "splits" water. Indeed, Sir William Grove discovered the fuel cell in 1839 when he switched off an electrolytic cell and noticed current flowing in the opposite direction.

The hydrogen fuel can be stored in a tank under pressure – as in the experimental Mercedes car – or it can be generated in a unit called a reformer, from fuels that are available more widely such as methanol or natural gas.

The most important component of the fuel cell is the thin layer of charge-carrying "electrolyte", which keeps the hydrogen and oxygen separate while promoting the reaction between them. Several high-temperature electrolytes are being developed for use in stationary power plants, including phosphoric acid, molten carbonate and solid oxide.

But the best system for vehicles is the proton-exchange membrane (PEM) which operates at 80°C – the temperature of a conventional car engine. This has a thin polymer (plastic) membrane coated with a platinum catalyst to speed up the reaction. PEM cells were used by Nasa, the US space agency, to provide electricity and water for Gemini spacecraft in the 1960s. But their development over the past decade has been led by Ballard, a Canadian company based in Vancouver, in partnership with Johnson Matthey, the UK catalyst manufacturer. Daimler-Benz uses Ballard fuel cells in its experimental car.

The Canadian company says its first commercial product – with a projected launch in 1998 – will be a heavy-duty fuel cell engine for urban buses. This will be demonstrated in the US later this year when the Chicago Transit Authority takes delivery of three buses with Ballard engines. The authority says that if they work well it will consider converting its whole fleet of 2,000 buses to fuel cells.

One feature of fuel cell research is the complex network of corporate alliances – a result of public funding programmes which insist on collaborative arrangements. For example, the German government's DM50m ($33.8m) PEM fuel cell project involves Daimler-Benz, Siemens, BASF, Hoechst, Degussa and Heraeus. Georg Frank, a fuel cell researcher for Hoechst, says his company is working on new materials for the cells. The membranes used today are made from expensive sulphonated fluoro-polymers. Hoechst is developing aromatic polymers that would be far cheaper to mass-produce. Frank Bilstein, project manager, says costs still have to fall by a factor of 30 for fuel cells to become fully competitive.

"Our approach is to become fully cost competitive and not to rely on the environmental advantages of fuel cells," he says.

Hydrogen is the most attractive fuel, technically and environmentally, for fuel cells. The only exhaust it produces is water. The trouble is that expenditure on a gigantic scale would be needed to build up the infrastructure of a "hydrogen economy", if hydrogen-powered cars are to be used widely, and widespread use of a potentially explosive gas could cause safety concerns.

Intensive research is taking place, therefore, at several companies into "direct methanol" cells in which methanol – a widely available liquid fuel – reacts with air to produce carbon dioxide, water and electricity. According to Robert Evans, fuel cells business manager at Johnson Matthey, "direct methanol cells today are at a point where PEM was five years ago".

Evans believes that genuine commercial sales of fuel cells – as opposed to government-subsidised installations – will begin in 1998, starting with phosphoric acid cells for stationary power generation and followed quickly by other types.

It seems that, 160 years after its discovery, the fuel cell is about to confound the cynics and achieve successful commercialisation.

MANAGEMENT

JOHN KAY

Market forces and the winner's curse

Two years ago, the UK's Milk Marketing Board was abolished in favour of a co-operative of producers. At the same time, the arrangement by which milk prices were fixed by a committee representing producers and processors was replaced by a system of regular milk auctions. A malfunctioning capitalist procedure was substituted for a discredited socialist one.

The saleroom auction is in many ways the epitome of market forces. Each of us has our own opinion of what Van Gogh's "Sunflowers" is worth. In a procedure which combines elements of the casino and the ballot box, the auctioneer knocks the picture down to whoever values it most highly.

Yet the English saleroom auction is a more subtle and sophisticated mechanism than it appears at first sight. The successful bidder doesn't pay as much as the picture is worth to him. What he pays is only slightly more than the picture is worth to the second-highest bidder. The seller therefore gets less than the maximum he might have hoped to extract.

But it also means that the auction design has a property which economists have termed incentive compatibility. That means that it pays you to bid honestly, in accordance with your true preferences. So long as all the bidders behave independently – and that is a very important caveat – there is not much to be gained by strategic bidding behaviour.

Another common type of auction – the sealed bid auction, in which each bidder puts a figure on a piece of paper in an envelope – does not have this characteristic of incentive compatibility. The auctioneer opens the envelopes and awards "Sunflowers" to the highest bidder for the sum that he has written on the paper.

The shrewd bidder in this auction puts down a figure lower than the one she thinks "Sunflowers" is worth. After all, she wants to pay just enough to get the picture, not to stump up the limit of her valuation. The bid therefore depends, not just on your valuation, but on your assessment of what other bidders will do. But that assessment will usually be wrong. The picture will not necessarily go to the person who wants it most, but may go to the most successful player of the auction game.

So the sealed bid auction will not necessarily raise more than the saleroom auction. The saleroom auction attracts honest bids, but does not try to extract the last pound of flesh. The sealed bid auction does try to get every bit of flesh, and in consequence does not attract honest bids.

Now there is a critical difference between an auction of consumer goods, such as "Sunflowers" or old furniture, and the auction of a commercial contract. It is a difference which was first discovered when the US government began the process of auctioning licences for offshore oil exploration. When

The winner's curse is a reason why many mergers, acquisitions and alliances disappoint

"Sunflowers" comes under the hammer the players in the auction differ only in their preferences. Some like "Sunflowers", some don't. But when Esso and Shell put in different bids for a petroleum block, it is not because Esso loves oil while Shell is indifferent. If they both agreed about the objective characteristics of the block, they would both bid the same. They bid differently because each has a different assessment of the block's oil-bearing potential.

That gave rise to what came to be known as the winner's curse. Sometimes your geologists overestimated the amount of oil that was likely to be there, sometimes they underestimated. On average, these errors would probably cancel out. But the bidding procedure meant that you didn't get the average and so the errors didn't cancel. The blocks you won were the ones where your geologists had made much higher estimates than anyone else. Too often, the auctions you won were those where your geologists had screwed up.

So oil companies learnt strategic behaviour. You adjusted your bidding to what you thought other companies were doing; only rarely did you put in a bid at something close to what you thought an opportunity was worth. The auction system became less efficient, as a means of allocating exploration rights to the most suitable company and as a way of obtaining revenue for the government.

Now the winner's curse doesn't just apply to offshore oil. It applies to almost any commercial auction process. It was common in the early stages of contracting out of public services. To be sure, the public authority often got some very low bids; but these frequently came from contractors who had simply underestimated what was involved in doing the job. That is why many initially successful contractors were subsequently replaced – either their service was inadequate, or they couldn't go on doing a proper job at the price they had quoted.

And the winner's curse is a reason why many mergers, acquisitions and alliances disappoint. Before you congratulate yourself too much on winning that foreign contract to run the local water supply or operate their power station, ask yourself whether your bid was actually better than anyone else's, or just higher.

And when you think that an American acquisition looks attractive, consider whether you are getting it because the company fits better with you than with any other potential partner in the world, or whether you are getting it because you are looking at it through more rose-tinted spectacles than anyone else.

The milk auctions have not worked because the auctions system devised was not incentive compatible. The television franchise auction did not work because it cost too much to bid for there to be an adequate number of players in the auction. There is more to implementing market reforms than is provided by ideological slogans, or can be learnt from an unread copy of Adam Smith. To introduce a market, or to be an effective player in one, you need to understand how markets actually work.

LEGAL NOTICES

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF MASSACHUSETTS

DOLLAR STANDARD, INC., MUHAMMED QUAIZ, AND ELLIOTT ASSOCIATES, L.P., on behalf of themselves and all other present and former owners of the 7% Convertible Subordinated Debentures due 2002 of J. BILDNER AND SONS, INC.,
Plaintiffs,
- against -
KIDDER, PEABODY & CO. INCORPORATED, KIDDER, PEABODY INTERNATIONAL LIMITED, PAINE WEBBER INTERNATIONAL CAPITAL, INC., PAINE WEBBER INCORPORATED, TOUCHE ROSS & CO., JAMES L. BILDNER, JOHN D. HOWARD, JOHN E. GARDNER, ALBERT G. TIERNEY, III, THOMAS K. COOK, JAMES W. LARSON, MILTON F. LEWIS and JAMES G. GRONINGER,
Defendants.

Civil Action No. 89-2036-DPW

SUMMARY NOTICE OF PENDENCY AND SETTLEMENT OF CLASS ACTION

TO: PURCHASERS OF 7% CONVERTIBLE SUBORDINATED DEBENTURES DUE 2002 OF J. BILDNER AND SONS, INC. DURING THE PERIOD FROM APRIL 29, 1987 THROUGH AND INCLUDING JULY 1, 1988

YOU ARE HEREBY NOTIFIED, pursuant to an Order of the United States District Court for the District of Massachusetts, that a hearing will be held on September 26, 1996 at 2:30 p.m., before the Honorable Douglas P. Woodlock, United States District Judge, at the United States District Court, U.S. Post Office and Court House Building, Boston, Massachusetts 02109, for the purpose of determining: (1) whether the Court should approve as fair, reasonable and adequate the proposed Settlement of the litigation, (2) whether thereafter this litigation should be dismissed on the merits with prejudice as to Defendants as set forth in the Agreement of Settlement dated July 1, 1996, on file with the Court, under which Plaintiffs and the Class will release their claims against Defendants and (3) the reasonableness of the application of counsel for Plaintiffs and the Class for the payment of attorneys' fees and reimbursement of costs and expenses incurred in connection with the litigation.

The proposed settlement provides for the payment by Defendants, for the benefit of the Class, of $520,000 plus any interest earned thereon. Plaintiffs' counsel will seek legal fees of one-third of this fund ($177,333), together with the reimbursement of expenses of $37,088.26, and two of the Plaintiffs, Elliott Associates, L.P. and Dollar Standard, Inc. will seek compensatory awards of $5,000 each.

If you purchased the 7% Convertible Subordinated Debentures due 2002 of J. Bildner & Sons, Inc. during the period from April 29, 1987 through and including July 1, 1988, your rights may be affected by the proposed settlement. If you have not received a detailed Notice of Class Action Determination, Proposed Settlement and Hearing Thereon, and Right to Share in the Settlement Proceeds, you may obtain copies by contacting Plaintiffs' counsel, Kleinberg, Kaplan, Wolff & Cohen, P.C., 551 Fifth Avenue, New York, New York 10176, Attention: Norris D. Wolff, Esq.

Please do not contact the Court or the Clerk's office.

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

LEGAL NOTICES

IN THE MATTER OF
B&M HOLDINGS LIMITED
and
IN THE MATTER OF
THE CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company which is being voluntarily wound up are required on or before the 2nd day of September 1996 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Dinos N Papadopoulos, FCA of Julia House, 3 Th Dervis Street, PO Box 1612, CY-1591 Nicosia, Cyprus, the liquidator of the said company, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 2nd day of August 1996
Dinos N Papadopoulos
Liquidator

IN THE MATTER OF LIT (CYPRUS) LTD
and
IN THE MATTER OF
THE CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company which is being voluntarily wound up are required on or before the 2nd day of September 1996 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Dinos N Papadopoulos, FCA of Julia House, 3 Th Dervis Street, PO Box 1612, CY-1591 Nicosia, Cyprus, the liquidator of the said company, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 2nd day of August 1996
Dinos N Papadopoulos
Liquidator

IN THE MATTER OF TVERSKAYA REAL ESTATE LIMITED
and
IN THE MATTER OF
THE CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company which is being voluntarily wound up are required on or before the 2nd day of September 1996 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Dinos N Papadopoulos, FCA of Julia House, 3 Th Dervis Street, PO Box 1612, CY-1591 Nicosia, Cyprus, the liquidator of the said company, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 2nd day of August 1996
Dinos N Papadopoulos
Liquidator

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re
A.R. BARON & CO., INC.
Debtor.

Case No. 96-8831A (PBA) SIPA

NOTICE TO CUSTOMERS AND CREDITORS OF A.R. BARON & CO., INC. AND TO ALL OTHER PARTIES IN INTEREST:

COMMENCEMENT OF LIQUIDATION PROCEEDING

NOTICE IS HEREBY GIVEN that on July 11, 1996, the Honorable Loretta A. Preska, Judge of the United States District Court for the Southern District of New York, entered an Order granting the application of the Securities Investor Protection Corporation for issuance of a Protective Decree adjudicating that the customers of A.R. Baron & Co., Inc. (the "Debtor") are in need of the protection afforded by the Securities Investor Protection Act of 1970 ("SIPA"). James W. Giddens was appointed Trustee for the liquidation of the business of the Debtor, and Hughes Hubbard & Reed LLP was appointed counsel to the Trustee

CLAIMS AGAINST THE DEBTOR

Customers of the Debtor who wish to avail themselves of the fullest protection afforded to them under SIPA are required to file their claims with the Trustee within 60 days after the date of this Notice. Such claims should be filed with the Trustee at P.O. Box 359, Bowling Green Station, New York, New York 10274. Customer claims will be deemed filed only when received by the Trustee.

Forms for the filing of customer's claims are being mailed to customers of the Debtor as their names and addresses appear on the Debtor's books and records. Customers who do not receive such forms within seven (7) days from the date of this Notice may obtain them by writing to the Trustee at the address shown above.

All other creditors of the Debtor must file formal proofs of claim with the Trustee at the address shown above within six (6) months after the date of this Notice. All such claims will be deemed filed only when received by the Trustee.

No claim of any kind will be allowed unless filed within six (6) months after the date of this Notice.

AUTOMATIC STAY OF ACTIONS AGAINST THE DEBTOR

NOTICE IS HEREBY GIVEN that as a result of the issuance of the Protective Decree, certain acts and proceedings against the Debtor and its property are stayed as provided in 11 U.S.C.§ 362 and by order of the United States District Court for the Southern District of New York entered on July 11, 1996 by the Honorable Loretta A. Preska.

FIRST MEETING OF CREDITORS

NOTICE IS HEREBY GIVEN that the first meeting of customers and creditors will be held at the Marriott World Trade Center, 3 World Trade Center, New York, New York 10048, on September 13, 1996 at 10:00 a.m., at which time and place customers and creditors may attend, examine the Debtor, and transact such further business as may properly come before said meeting. Failure to attend the meeting will not affect the right of customers to avail themselves of the protections afforded to them under SIPA or of creditors to file proofs of claim with the Trustee.

HEARING ON DISINTERESTEDNESS OF TRUSTEE AND COUNSEL

NOTICE IS HEREBY GIVEN that September 5, 1996 at the hour of 2:30 p.m. in Courtroom 617, United States Bankruptcy Courthouse, Alexander Hamilton Custom House, One Bowling Green, New York, New York has been set as the time and place for the hearing before the Honorable Prudence B. Abram, United States Bankruptcy Judge, of objections, if any, to the retention in office of James W. Giddens as Trustee and Hughes Hubbard & Reed LLP as counsel to the Trustee, upon the ground that they are not disinterested as provided in section 78eee(b)(6) of SIPA. Objections, if any, must be filed with the Court and personally served upon Hughes Hubbard & Reed LLP, One Battery Park Plaza, New York, New York 10004-1482 on or before August 26, 1996.

James W. Giddens
Trustee for the Liquidation of the Business of A.R. Baron & Co., Inc.
P.O. Box 359
New York, NY 10274

Hughes Hubbard & Reed LLP
Richard M. Siegel, Esq.
Derek J.T. Adler, Esq.
Counsel to the Trustee
One Battery Park Plaza
New York, NY 10004-1482

Securities Investor Protection Corporation
Kenneth J. Caputo, Esq.
805 15th Street, N.W., Suite 800
Washington, D.C. 20005-2215

U.S. Securities and Exchange Commission
Mark Kreitman, Esq.
450 5th Street, N.W.
Washington, D.C. 20549

Office of the United States Trustee
Hon. Mary Tom, Acting Trustee
80 Broad Street, Second Floor
New York, NY 10004

Dated: New York, New York
August 2, 1996

BY ORDER OF THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK
THE HONORABLE PRUDENCE B. ABRAM

ARTS

Sponsorship/Antony Thorncroft

Big names fall for Edinburgh's charms

In theory arts companies are finding it tough this year to reach their sponsorship targets. The competing demands of lottery partnership funding, to say nothing of Michael Heseltine's scheme to raise £100m from business to finance the Millennium Exhibition at Greenwich, are putting the pressure on fund raisers.

But if there is a good product the sponsors still rally round, and the Edinburgh Festival is regarded as one of the top arts brands in the UK.

This year the festival's new development officer, Nichola Pritchett-Brown, has got off to a flying start, raising almost £1.3m – a record total and an increase of 25 per cent over 1995. Business now accounts for a quarter of the festival's income.

The old local faithfuls – the Bank of Scotland, the Royal Bank of Scotland, IBM and Scottish & Newcastle – continue to provide the bedrock funding but this year there are some substantial new backers, including Standard Life, (contributing more than £40,000 and returning to the arts after a long gap)), Dunfermline Building Society, Marks and Spencer, Mitsubishi Electric, Morgan Grenfell and Corporate Risk. In the last few weeks Templeton has clambered on board, sponsoring the movie version of *Der Rosenkavalier*, with full orchestra.

For most, the opportunity for corporate entertaining at their sponsored event is the key attraction, and the range of festival activities – large and small, theatre and dance, music and opera – is also appealing. One new sponsor has intimated that it is only taking part because this is the 50th festival and the programme is particularly strong: experience might change its mind.

A new feature for sponsors this festival is the Proscenium Club. More than 30 companies have each paid £5,000 for certain privileges, such as 32 free tickets, discounts on additional tickets, and the opportunity to issue their employees with a Privilege Card, which enables them to buy festival merchandise cheaply and acquire unsold tickets at a discount. One company, NEC, has ordered 1,500 such cards.

★

The charm of arts sponsorship is that there are always new companies coming along and falling for its attractions. Among the latest haul of enthusiasts is Duval, which represents a group of leading watch brands, including Oris, TAG Heuer, and Maurice Lacroix, in the UK.

Last year Duval toyed with arts sponsorship, linking TAG Heuer with a William Turnbull exhibition at The Serpentine just for the devilry of using a sports watch to sponsor an adventurous arts event, and dipping its feet into the London Jazz Festival with Oris.

This year Duval is diving in, committing £500,000 over three years into what is now the Oris London Jazz Festival in November. The aim is to make the festival comparable with Montreux and New Orleans. The idea is that an educated, sophisticated, male jazz audience would identify with a traditional, mechanical and authentic watch.

Duval has developed its sponsorships on advice from ABSA, and is looking for a classical music link for Maurice Lacroix, its ladies' watch. By next year it should be spending around £300,000 of a £3m marketing budget on the arts, which managing director Neil Duckworth says offers "opportunities for image and positioning not available in sports sponsorship".

★

Performing arts companies might be struggling to reach their sponsorship targets but museums are having an easier time, especially those in South Kensington – the Victoria & Albert, the Science and the Natural History.

The latest success has been the launch of the new Earth Galleries, which have filled the space once occupied by the Geological Museum, and now part of the Natural History Museum. More than 37,000 visitors experienced a replicated earthquake and a descent into the centre of the earth in the first five days, thanks to a £12m investment, of which half came from the lottery and most of the rest from sponsors.

The biggest contribution came from RTZ, which gave £1m, with £100,000 from BTR. Companies feel good about investing in museum projects which reflect their business. The Natural History Museum also got £1m from BP for its ecology galleries and the same from Ronson for the revamped dinosaur gallery, although given the subsequent fate of Gerald Ronson this carried a certain irony.

★

NatWest Bank has renewed its sponsorship of the RSC small venues tour, which brings top quality Shakespeare to parts of the country it never, or rarely, reaches. Among the locations hosting the critically acclaimed *A Comedy of Errors* this winter are Rawmarsh Comprehensive School in Rotherham and the Castle Sports Complex in Spalding.

NatWest has increased its funding to £230,000, which helps to reduce seat prices and enables the RSC to take its portable auditorium to unprofitably small venues. The bank was encouraged by the fact that 64 per cent of the 47,000 people who saw last year's tour knew it was sponsored by NatWest.

Theatre/Ian Shuttleworth

Social free-for-all from all-star cast

Jude Kelly has perhaps been more generally admired of late as an artistic director than for the shows which she has helmed. It may, then, be a relief in some quarters to be able to bestow praise freely upon her latest show.

Although presented in rolling Sussex, *When we are Married* is located firmly on Kelly's familiar turf of the West Riding of Yorkshire, in a turn-of-the-century small town where municipal and church office often coincide and where the officials in question congratulate themselves not on presenting the best *Messiah* among the local pre-Christmas offerings, but the first.

J.B. Priestley's 1938 comedy shares some of the same preoccupations as *An Inspector Calls* a decade later, primarily, how the self-satisfied bourgeoisie react when an outsider arrives to question their social foundations.

In this case, la-di-dah southerner Gerald Forbes (Chris Larkin), the chapel organist, turns up on the silver wedding anniversary of three such couples with the bombshell that the parson who married them was not authorised to perform weddings: technically, these pillars of the Establishment have been living in sin for a quarter of a century. This is fertile ground, liberally sewn with comic seeds by Priestley and diligently tended by Kelly.

At this point a reviewer is hard-pressed to avoid descending into a litany of name checking, since the cast is composed almost entirely either of actors instantly recognisable or familiar faces to whom not everyone can match names.

Alison Steadman plays Mrs Helliwell as a harder-edged distant relation of Jane Austen's Mrs Bennet; as her alderman husband and the host of the anniversary party, the excellent Gary Waldhorn (best known as "that bloke from *The Vicar of Dibley*") frantically and vainly tries to co-ordinate a response to the news, only to be torpedoed by the arrival of Shirley Anne Field as a woman of easy virtue come to force him to honour his earlier half-promises of marriage.

The other two couples are each composed of a pompous, hectoring partner (Roger Lloyd Pack and Dawn French respectively) and their timid, put-upon spouse (Annette Badland and Paul Copley) – in each case, the worm turns to deliver a few home truths.

Copley is terrific as the down-trodden Herbert Soppitt, risking the occasional furtive joke even when at his most oppressed; French is magnificently Dawn French, yet kept in admirable check, except for two or three characteristic moments of mugging or gesturing (such as holding on white-knuckled, to an occasional table to avoid being dismissed from the room while the menfolk fret in secret).

As bibulous, elderly Yorkshire Argus photographer Henry Ormonroyd, Leo McKern is a bit of a disappointment: although his timing and characterisation are well in place, years of stage and screen rumbling combine with the requirement of acting drunk throughout to reduce his voice as often as not to a semi-intelligible gurgle. Dora Bryan's similarly slurred Liz Smith impersonation as the stout-drinking char woman, too, is eclipsed by the fine, frenzied gormlessness of Elizabeth Chadwick as housemaid Ruby.

All-star productions seldom equal the sum of their parts, but *When we are Married* strikes a keen balance between delineating individuals and providing strong ensemble scenes, and in particular Kelly orchestrates the free-for-all arguments in the play extremely well.

As the big-name centrepiece of Duncan Weldon and Derek Jacobi's 1996 Chichester main-house season, it delivers the goods and no mistake.

At Chichester Festival Theatre until August 17 (01243-781312).

Alastair Muir

Big-name centrepiece: Shirley Anne Field and Leo McKern in 'When We Are Married'

The Proms

Out of this world

The Wednesday Prom by the BBC National Orchestra of Wales got off to a flying start. Having been inspired by the Apollo 11 moon landing as a child, the composer John Pickard became fascinated with the idea of man in space and hit upon the myth of Icarus as the subject for an airborne orchestral piece.

The result was *The Flight of Icarus*, a BBC commission, premiered by the orchestra in 1991 and here receiving its London premiere. Essentially this is a 20-minute Straussian tone-poem, written for a huge orchestra and exhibiting a flamboyant taste for pounding timpani and rocketing brass fireworks. The opening music is reminiscent of the flying sequence in Strauss's *Don Quixote*, though divided strings and woodwind filigree later suggest the rich textures of Tippett were a more immediate influence. As a concert opener, it provided an exciting lift-off.

The rest of the BBC National Orchestra of Wales's two concerts under Mark Wigglesworth, its new music director, inevitably sounded fairly earthbound by comparison. Each featured a concerto with a soloist from the younger generation, playing in a well-mannered style that might be thought quintessentially English.

The more Stephen Hough was himself, the more his performance of Brahms's Second Piano Concerto in Tuesday's programme sprang to life. There is nothing stolidly Teutonic about Hough's playing. The andante sang with eloquent grace, as fluent as a bel canto aria; the central parts of the scherzo and finale flickered with scintillating brilliance. Where other pianists struggle over pages of semiquavers, Hough darts by with dexterity and finds time to be expressive, too. In the heavyweight sections he did what he had to, though those carried less conviction.

In Wednesday's concert, Steven Isserlis did not try to match the biggest performances of Shostakovich's First Cello Concerto. A huge shadow looms over this work thanks to Rostropovich, who used to attack the music as though going single-handedly into battle against the entire Russian army. Isserlis does not see it as a combative concerto like that. He played the outer movements with a keenly sprung sense of rhythm that was almost jaunty. The slow movement was very strange, blanched and without vibrato. It sounded out of tune.

For the rest Wigglesworth chose a Suite from Wagner's *Die Meistersinger von Nürnberg* (arranger uncredited) and the full orchestra version of Schoenberg's Chamber Symphony No 1, played with creditably clean ensemble, in the first concert. On Wednesday, the main work was Rachmaninov's glorious Second Symphony, for which Wigglesworth revived some old-fashioned portamento. The performance was not always well balanced (brass hanging heavy in the texture too much of the time) but succeeded in finding the right late romantic swell of emotion by the end.

Richard Fairman

Summer Music in America: Aspen

Festival feast on the green slopes

It is not necessary to ski at Aspen (pop. about 6,000 plus uncountable visitors, 8,000ft high amid the Colorado Rockies). Instead, when the slopes are green and wild-flower-strewn, you can go to the Aspen Music Festival.

It was founded in 1949, and its concomitant Music School two years later – at the same time as the Busch-Serkin Marlboro festival. But the Aspen school casts its net wider: plenty of young professionals come, but also younger students, of whom the best are drafted into the Aspen Festival Orchestra (the principals are mostly established pros). Altogether there are close to 1,000 musicians at the school, from mid-June to mid-August, and it can claim a host of distinguished "alumni".

The festival menu offers a substantial feast. Besides the lectures, master classes and open rehearsals, there are orchestral concerts in the Music Tent, which seats 1,700 people with others camped on the lawn outside, chamber music in the Harris Concert Hall (opened in 1993: superb acoustics), opera in the charming little Wheeler Opera House.

The latter is one of Aspen's restored "Victorian" gems, from its silver-mining heydays of the 1880s and 1990s. When the silver boom collapsed, the town dwindled from 12,000 souls to a few hundred; it took until 1947, when the first chair-lift for skiing was installed, for the revival to begin. Now the smart boutiques and eclectic restaurants of any international resort are dovetailed among the friendly old houses and shops, still surrounded by the splendid, unspoiled mountains.

There are brusque, unpredictable thunderstorms. I heard David Robertson conducting the Festival Orchestra in a fine performance of Stravinsky's *Petrushka* (original 1911 version, huge orchestra) until the final few minutes, when the rain pounding on the canvas roof drowned out everything. Earlier Debussy's youthful *Printemps* had sounded impeccably idiomatic, and in Prokofiev's first violin concerto young Sarah Chang was all confident grace: not a trace of Prokofiev's wilful *diablerie*, but at 15 years old what would you expect?

In the Harris Hall, the American Quartet were coolly polished in Mozart's K.168 and K.458 (the "Hunt" quartet). When the clarinettist Joaquin Valdepeñas joined them for the great K.581 quintet, however, we were reminded of what really subtle, lyrical playing can do for Mozart. I should love to hear him do it again at the Wigmore, and anything else he might care to play.

This year's new opera – Aspen is making a praiseworthy habit of them – was Michael Torke's *King of Hearts*, originally a commission by Channel 4.

It made a terrific "television opera" last year, not least because the librettist Christopher Rawlence was also the producer, and in his double role took clever advantage of televisual possibilities: individual close-ups of the schoolkids' snarky chorus, discreet re-balancing to ensure that the words always surmounted Torke's bright, snappy score.

At Aspen, with Torke himself again conducting, the text rather lost out. Not the fault of the excellent student principals – Alfred Walker III, Sarah Turner and particularly Scott Wyatt – nor the raunchy schoolkids, and Anne Patterson's designs *looked* good; but if there is a way of making *King of Hearts* come across on the stage, Ed Berkeley hadn't found it.

For all the considerable verve of his production, and of course the music, it was tantalising to not-quite-hear so much of the syncopated repartee. A good try, though, and quite a lot of fun.

David Murray

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● The National Youth Orchestra of Scotland: with conductor Ole Schmidt and soprano Roberta Alexander perform works by Elgar, R. Strauss and Shostakovich; 8.15pm; Aug 3

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● South Wing: after three years of renovation, the museum's South Wing is open to the public again. Displays of 18th- and 19th-century paintings, Asian art, costumes and textiles are on view in 16 new rooms; to Sep 22

■ BERLIN

EXHIBITION
Berlinische Galerie – Martin-Gropius-Bau
Tel: 49-30-254860
● Michael Schmidt. Fotografien seit 1965: retrospective exhibition featuring photographs by Michael Schmidt (b. 1945) from 1965 to the present. The city of Berlin, where the artist has lived all his life, plays an important role in his work; to Sep 8

■ BOLOGNA

EXHIBITION
Galleria d' Arte Moderna
Tel: 39-51-502859
● Gilbert & George: an Anthology: retrospective exhibition devoted to the work of the British artist-duo Gilbert & George. The display includes some 100 large works from the 1970s to the present; to Sep 8

■ LONDON

CONCERT
Royal Albert Hall
Tel: 44-171-5898212
● BBC Symphony Orchestra: with conductor Leonard Slatkin, organist Simon Preston and violinist Ernst Kovacic perform works by Ives/Schuman, Ives/Schuller, Copland, Adams and Ellington. Part of the BBC Henry Wood Promenade Concerts (Proms); 7.30pm; Aug 4

DANCE
Royal Opera House – Covent Garden Tel: 44-171-2129234
● Swan Lake: a choreography by Petipa and Ivanov to music by Tchaikovsky, performed by the Royal Ballet; 2pm & 7pm; Aug 3

EXHIBITION
Museum of the Moving Image
Tel: 44-171-9283535
● Image-ine: this exhibition celebrates 100 years of film and takes a leap in the future. Multimedia stations display an encyclopaedia of facts from a century of film. The exhibition also includes a short compilation of the best of British movies; to Oct 9

■ LOS ANGELES

CONCERT
John Anson Ford Theatre
Tel: 1-213-4661767
● Chamber Music under the Stars: pianist Alexander Toradze introduces members of his Indiana University piano studio: Maxim Mogilevsky, Svetlana Smolina, George Vatchnadze and Vakhtang Kodanashvili. The programme includes Stravinsky's Sonata (1924), Four Etudes, Op.7, Ragtime, Concerto for two pianos, The Rite of Spring, and excerpts from Firebird and Petrushka; 8pm; Aug 5

EXHIBITION
Los Angeles County Museum of Art
Tel: 1-213-857-6000
● The White House Collection of American Crafts: exhibition featuring works by 72 craft artists working in the media of glass, wood, clay, fiber and metals. US artists represented include Nathan Youngblood, Bennett Bean, Adrian Saxe, David W. Levi, Dante Marioni, Dale Chihuly and Suzanne L. Amendolara; to Sep 29

■ MADRID

EXHIBITION
Fundación Collección Thyssen-Bornemisza
Tel: 34-1-4203944
● From Canaletto to Kandinsky: Master Pieces from the Carmen Thyssen-Bornemisza Collection: this exhibition features a selection of about 90 works from the Baroness's private collection. The display includes works by artists such as Toulouse-Lautrec, Monet, Sisley, William Bradford, Maurice Prendergast, Manuel Cabral and Raimundo de Madrazo; to Sep 8

■ NEW YORK

EXHIBITION
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● American Printmaking 1860-1900: Winslow Homer and His Contemporaries: an exhibition to complement the Homer painting retrospective by providing a context for the artist's printmaking efforts. Drawn entirely from the museum's collection, Homer printmaking from his early and late career is shown along with works by printmakers active during Homer's career; to Sep 22

OPERA
New York State Theater
Tel: 1-212-875-5570
● Four Saints in Three Acts: by Thomson and Stein. Conducted by Dennis Russell Davies and performed by the New York City Opera Orchestra and the Houston Grand Opera Chorus. Soloists include Ashley Putnam, Suzanna Guzman, Marietta Simpson, Wilbur Pauley, Sanford Sylvan, Nicole Heaston and Gran Wilson. Part of the Lincoln Center Festival; 8pm; Aug 2, 3 (also 2pm)

■ PARIS

EXHIBITION
Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50
● Un siècle de sculpture anglaise: exhibition focusing on twentieth century British sculpture. The display includes works by Henry Moore, Barbara Hepworth, Tony Cragg, Richard Deacon, Jacob Epstein, Gilbert & George, Richard Long and Bill Woodrow; to Sep 15

■ ROME

OPERA
Teatro dell' Opera di Roma
Tel: 39-6-481601
● Andrea Chenier: by Giordano. Conducted by Gyorgy Gyorivany and performed by the Orchestra e Coro del Teatro dell'Opera di Roma. Soloists include Aprile Millo, Nicola Martinucci and Paolo Gavanelli; 9pm; Aug 4

■ SAN FRANCISCO

EXHIBITION
SF – Museum of Modern Art
Tel: 1-415-357-4000
● Alfred Stieglitz at Lake George: this exhibition of approximately 100 works investigates the late work of the American photographer Alfred Stieglitz, with special attention to the elegiac images he produced at his family home in Lake George, New York; to Sep 22

■ VIENNA

EXHIBITION
Kunstforum der Bank Austria
Tel: 43-1-5320644
● Drawing in Austria 1908 to 1938. From Schiele to Wotruba: exhibition of some 130 works on paper by 58 Austrian artists, including Gustav Klimt, Egon Schiele, Oskar Kokoschka, Alfred Kubin, Max Oppenheimer, Herbert Boeckl, Albert Paris Gütersloh, Max Weber and Fritz Wotruba; to Aug 4

■ WASHINGTON

EXHIBITION
Freer Gallery of the Smithsonian Institution
Tel: 1-202-357-2700
● Choice Spirits: Works by Thomas Dewing and Dwight Tryon: exhibition featuring 27 objects – easel paintings, silverpoint drawings, pastels, large decorative paintings and a pair of screens – by the American tonalists Thomas Dewing (1851-1938) and Dwight Tryon (1849-1925).
The focus of the exhibition is the Freer Gallery of Art's collecting habits and aestheticism in turn-of-the-century America. This *museum holds the world's largest* collection of these artists' works; to Mar 1997
National Museum of American Art
Tel: 1-202-357-2700
● Contemporary Printmaking in America: Collaborative Prints and Presses. For three decades the collaborative printmaking workshop in the US has had a significant impact on visual art. Ninety works on paper, created by artists in collaboration with more than 35 printers, provide an overview of this development in contemporary art; to Aug 4

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COMMENT & ANALYSIS

Euro hopes left out in cold

The Target wrangle shows how the UK could be penalised outside Emu, says Gillian Tett

When Mr Eddie George, governor of the Bank of England, flew to Frankfurt for a meeting of European Union central bankers last month, he had reason to feel upbeat. UK officials believed they were on the verge of winning extensive access for London to Target, the future EU payments system – even if the UK stayed outside the European Union's single currency.

But their hopes were overturned. To their surprise, French and German officials demanded restrictions on access to Target for countries outside the economic and monetary union (Emu) – potentially undermining London's ability to trade euros.

The wrangle over Target is striking because it is the first firm example of how British businesses could be penalised if the UK stays outside Emu. It has started to provoke reflection in some business circles about the broader risk of discrimination if the UK is sidelined in Europe.

"It has been a bit of watershed," says one senior banker. "Until recently everybody assumed that the City could survive no matter what stance we took on Emu – but Target has made people think."

The unease is not yet highly visible. Euroscepticism continues to be voiced among some business leaders. Even many pro-European companies question whether monetary union should proceed as planned in 1999. And business leaders worried about the wisdom of the UK opting out of the single currency are reluctant to speak out – not least because the issues appear confused.

"We just do not seem to be debating the real issues," says Sir Brian Pearse, chairman of Lucas, the automotive parts group, who also chairs British Invisibles, the City industry group. "There is an assumption that the City will be fine if it stays inside or outside Emu, but I do wonder if we are just a bit complacent."

The impact of the Target decision on the City of London is still unclear, since many details about the new payments and settlement system are undecided. At worst, UK-based banks might find it harder than their continental competitors to borrow euros through Target for trading.

This could hobble London's hopes of creating a euro money market, even though the City is Europe's financial capital.

However, this disadvantage for London might be offset if the Emu area imposed tight regulations such as requirements on banks to hold minimum reserve levels. Since London does not have such reserve requirements, it could be attractive as an offshore centre for euro trading – even if it does not become a primary money market.

Although these considerations mean it is too early to conclude what the broader impact of the Target wrangle on the City might be, the episode has provoked unease.

"Some of the clearing banks are starting to get worried about this," says Sir Brian. "It would not surprise me if they start to beef up their operations in Frankfurt."

This unease has been fuelled because the final decision on conditions for access to Target will probably be delayed until the future European Central Bank is formed in 1998. This means the decision will be taken by likely Emu members only – potentially excluding the UK.

Mr Graham Bishop, European adviser at the US investment bank Salomon Brothers says: "Target is very symbolic, because it is the first time that you can see an issue where measures have been delayed so that the UK will not be at the table."

Indeed, the real significance of the Target wrangle is that it highlights the nature of the possible dangers for the UK in excluding itself from the single currency. Highly technical and complex issues such as payments systems are now the real battlegrounds in the run-up to Emu. And although Target has been the first flashpoint, any loss of influence as a result of staying outside Emu could possibly affect UK sectors other than banking.

As Ms Kate Barker, chief economist at the Confederation for British Industry, says: "The issue is that business in continental Europe is done through deals and negotiations – and that depends on having a constructive relationship."

Outside the City, few manufacturing companies are now admitting to serious concern about how their interests could be damaged by the UK's shunning Emu. UK exporters already selling goods freely in EU markets believe it is highly unlikely that single market legislation would be reversed. But some companies heavily exposed to EU legislation are uneasy about the potential loss of influence.

For example, the chemical industry is one of the few sectors of British business which strongly wants the UK to join Emu. As Mr Bryan Sanderson, head of BP Chemicals points out, some 80 per cent of legislation affecting the chemical sector now stems from Brussels.

"We have not seen any sign of discrimination yet, but the problem is that the UK's political attitude means that we start every debate on the back foot," he says.

"Being outside you could well have a backlash," says Mr Richard Freeman of Imperial Chemical Industries. "It is something we would have to take into consideration in investment decisions for ICI."

And service sectors which are so far barely touched by the single market echo this concern. Sir Iain Vallance, chairman of British Telecommunications, has been one of the first business leaders to warn publicly that an anti-Emu UK stance could harm business interests.

"Retaliation is definitely on the cards – there are enough people talking about it," he said recently, speaking in a personal capacity.

British American Tobacco, which plans to expand its financial services interests in Germany, admits it is alarmed. "We have always thought that the inner group will find ways to organise themselves covertly to favour their financial centres," says Mr Roger Lomax of BAT. "Target has just confirmed that.

"People are not talking publicly about it now, but once the election gets out of the way, my guess is there will be panic in the business and finance community about being left outside."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Russian tastes westernised, but still sweet on home-grown products

From Professor Richard Rose.

Sir, Roderick Oram's article, "Consumerism's new citadel" (July 31), about Russian consumers tells only half the story. While there is a demand from some Russians for some western goods, others prefer Russian goods. Our New Russia Barometer surveys of public opinion find 86 per cent prefer Russian chocolates to western chocolates, and 66 per cent prefer a Russian to a western watch. For colour television, the position is reversed: three-fifths would pay twice as much for a Japanese set as for a Russian set.

Russians who prefer western goods are a "New Class", younger, more educated and much more likely to work in enterprises never in the public sector.

In short, they are just the sort of people who might read the Financial Times.

While Dostoevsky is dead, the traditional Russian division between westernisers and Slavophiles can still be found, whether the subject is consumer behaviour or voting behaviour.

Richard Rose,
Centre for the Study of Public Policy,
University of Strathclyde,
Glasgow G1 1XH, UK

LME issue is a matter of control

From Mr C.J.B. Green.

Sir, In his eagerness to attack the London Metal Exchange, Mr R. Patrick Thompson (Letters, July 30) has himself confused the issues and been sidetracked. He would do well to note the words of Mr John Philips, director of the US Commodity Futures Trading Commission's office of public affairs, who is quoted as saying, in the July issue of Risk magazine: "This is a matter of failure of internal controls at Sumitomo. Regulators can't be expected to tell companies how to run their business."

Finally, Mr Patrick Thompson should not put words into my mouth and then use them to further his cause. Nowhere in my article did I say the [LME] system is "good enough". There is always room for improvements in the light of new experiences or developments.

C.J.B. Green,
chairman,
Barclays Metals Group,
2 Minster Court,
Mincing Lane,
London EC3R 7BB, UK

No such camp

From Mr Jarek Porejski.

Sir, Anna Reid, describing the fate of Ukrainian Jews during the Holocaust in her article "Why the streets are paved with Jewish gravestones" (July 27/28), refers to the Belzec concentration camp as "a Polish concentration camp". There was no such thing as "a Polish concentration camp". Belzec, Auschwitz, Treblinka and many other places of Nazi atrocities were in fact German concentration camps in occupied Poland. Such unfortunate statements, repeated too often, lead to misunderstandings and dilute the blame of true perpetrators.

Jarek Porejski,
Broniewskiego 55 m 12,
01-716 Warsaw,
Poland

CBI view on Emu decision

From Mr J. Adair Turner.

Sir, I refer to Gillian Tett's article on the Confederation of British Industry's stance on the transition to Emu, which quoted part of our written evidence to the Treasury select committee ("Single currency position 'damaging'", July 30).

I would like to make clear that the point taken from our submission referred to the benefits for business of some certainty about the *way* in which the eventual decision will be taken.

It is true that the value of keeping options open on Emu participation at the outset will diminish, and the value – with regard to the business practicalities – of a definite decision will increase, as 1999 approaches. But we believe there is still some value in keeping both options open for a while longer. In our oral evidence to the committee, we made clear that a decisive announcement with respect to Emu entry was not necessary yet, and probably not until sometime late in 1997.

In the meantime, however, it is important that discussions on the practical issues of the transition are pushed ahead, so that the option to join at the outset does not disappear by default. The CBI intends to play a full part in pushing forward work on that topic.

J. Adair Turner,
director-general,
Confederation of British Industry,
Centre Point,
103 New Oxford Street,
London WC1A 1DU, UK

Certainty is misplaced

From Mr John Carley.

Sir, In your editorial "Embryos" (July 30), you state that, contrary to the opinion of some anti-abortion groups, the destruction of frozen embryos cannot be equated with the killing of babies.

Your certainty is impressive, your statistical proof less so. Inconvenient though it may be, the choice between life and death involves rather more metaphysics than does stock market analysis.

John Carley,
13 Prospect Road,
Rawtenstall, Rossendale,
Lancashire BB4 8HJ, UK

Olympics about goodness of the human spirit

From Ms Neva M. Murphy.

Sir, I am disappointed by all the articles criticising the Olympic Games in Atlanta. The media is looking for every possible negative issue. The games are about strength and goodness of the human spirit, not negativism.

Every country that hosted the games had its problems and share of complaints, but what bothers me is the accusation of Americans being jingoistic. I saw a lot of flag-waving at the Olympic Games in Lillehammer in Norway, and I thought it was terrific. It's nice to see people taking pride in their country. Americans are some of the most enthusiastic supporters of their athletes. Americans also cheer their favourite athletes from other countries – I am one of them.

With regard to the bombing in Centennial Park, it was a tragic incident which brought back the memory of the tragedy at the Olympic Games in Munich. However, most people remember the gold performances of athletes at those games – I hope people will remember the gold performances at Atlanta. Above all, I hope they remember the spirit of the games and strength of human spirit when it comes to resolute protection of freedom and the remarkable resilience when it is threatened.

Neva M. Murphy,
534 East 87th Street,
New York, NY 10128, US

Europa · Carl Bildt

Extend the brief on Bosnia

Peacemaking by the international community must last longer than the end of the year

Carl Bildt: the record of implementing the peace accord is a mixed one

Can it work? This is by far the most frequently asked question about the peace process in Bosnia. And can the countries contributing to the Ifor peace implementation force count on their troops leaving at the end of the year?

The record after almost eight months of implementing the peace accord agreed at Dayton is a mixed one.

Mr Radovan Karadzic, leader of the Bosnian Serb entity, has been pressed into handing over all formal public and party functions. But Mrs Biljana Plavsic, acting president of Republika Srpska, the Serb-controlled part of Bosnia, is talking about creating "an ethnic state" in terms which indirectly condone ethnic cleansing. Not until Mr Karadzic appears in The Hague to answer war crimes charges can the full normalisation of relations with the Serb entity begin in earnest.

In the Moslem-Croat Federation, the other entity in Bosnia-Hercegovina, tensions remain between the two communities, as illustrated by the latest divisions over Mostar. The last remaining Catholic church in the Moslem stronghold of Bugojno was recently the target for arsonists, and there has been a similar outrage against a mosque in Prozor, a Croat-held town.

But the positive signs are there. On Tuesday, the first train for 1,564 days travelled from Sarajevo to Mostar and on to the Adriatic port of Ploce – on lines rebuilt with European Union money. It was heralded by Mr Alija Izetbegovic, Bosnian president, as the second end of the Sarajevo siege.

For all the inadequacies of economic policymaking and the slowness of international help, the cafés are opening, the farms are being cultivated and some factories are beginning to work. The first signs of economic revival are visible.

Bosnia is now heading for elections on September 14, and after the elections comes the crucial phase when the common institutions of the country will be set up and – I hope – start to operate. This is the most difficult and important part of the peace implementation this year – far more difficult than the separation of military forces and transfer of territory carried out by Ifor at the beginning of the year.

Election campaigns inevitably stress what separates rather than what unites. The chances of the election diminishing the influence of ethnic-based politics in the three communities in Bosnia-Hercegovina are approaching zero. And if there is any change in attitudes, it is a hardening of those which have driven the country to ethnic separation and ultimately war.

The common institutions that will be created after the elections – presidency, parliamentary assembly, council of ministers, central bank, constitutional court, standing committee on military forces – will work only if there is a reasonable understanding between the three communities and the two entities. This requires a more or less common understanding of the nature of the peace agreement.

Here, views are very different. On one side, there is the effort to interpret the agreement as a recipe for a unitary Bosnian state, with no real role for the two existing entities. On the other, there is a tendency to see the Bosnian Serb entity as practically independent and its boundary as a state border.

Neither of these interpretations is correct – the peace agreement sets up what is in essence a federal state. It will be a very loose and highly decentralised state with weak central powers for its common institutions – and thus unlike any other state in existence.

The centrifugal tendencies are obvious, and on occasions receive encouragement from Zagreb and Belgrade. It will thus require sustained international presence and pressure in the region to stop the Bosnian state from disintegrating during the first critical period of living together again.

One year is not enough time for the forces of healing and reconciliation to become more powerful than the forces of separation and revenge. As I made clear in my report to the UN Security Council, the involvement of the international community must last longer than the end of the year and extend beyond Bosnia.

The French government has proposed a two-year period of consolidation, and the steering board of the Peace Implementation Council, which I chair, has started to discuss the period after 1996. In Bosnia itself, I am seeking agreement for new all-Bosnia elections in September 1998, thus giving the country a two-year period to consolidate the peace and refine the national and international structures to support it.

Such a period of consolidation must in all probability be supported by a military presence in the county and the region – at least initially. Ifor will leave at the end of the year, but on present trends a substantially smaller but very robust force will be needed to deter those thinking in terms of war again. Its composition must reflect the transatlantic coalition which – with Russian participation – is so actively pursuing the peace effort.

But a security presence is only one part of the overall commitment. The European Union must develop its "regional approach" to start making a long-term contribution to stability in the region by creating as free an environment for trade and economic co-operation as possible.

This would not only link the different parts of the area together, but also draw them into the long-term process of European integration. And it would give the EU more powerful leverage in Zagreb and Belgrade than now.

In spite of all the problems, I believe the peace can hold, and the extremely ambitious goals of the peace agreement can be realised gradually. But the challenges are enormous.

What has been done so far this year has been simple compared to what lies ahead. It would be naive to believe that those involved in implementing the peace agreement can just pack up and go home at the end of the year.

If we are lucky we will have made a start towards building a genuine peace – maybe not much more. Nevertheless, that would be an impressive achievement after all that has happened to Bosnia over the four past years.

The author is high representative in Bosnia-Hercegovina, in charge of implementing civilian aspects of the Peace Agreement

COMMENT & ANALYSIS

FINANCIAL TIMES
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Mr Santer's Commission

The European Commission shut up shop this week and hit the beach. Some outside Brussels may not detect much difference in the level of activity. But a closer inspection of the Santer Commission's record suggests there is more than meets the eye.

It is true that this is a low-key Commission, cautious to the point of timidity, a shadow of its activist predecessors under Mr Jacques Delors. That may be a blessing in disguise. President Jacques Santer's two conspicuous successes since he arrived in Brussels 18 months ago concerned issues which his volcanic predecessor might easily have mishandled. Last year, he expertly defused the row over President Chirac's decision to resume nuclear testing in the South Pacific. This year, Mr Santer played peacemaker in the panic over mad cow disease, refusing to isolate Britain while maintaining the pressure on a hostile government in London to accept responsibility for eradicating BSE. He had a good beef war.

Mr Santer has been less successful when he switched to offence. His plan to raise an extra Ecu1.7bn to kickstart financing for trans-European transport networks and EU research policy was misguided. As a former finance minister, he ought to have realised that France and Germany would put a higher priority on meeting budgetary discipline ahead of the planned leap to monetary union in 1999.

More telling was his failure to extract political capital from the action plan for employment he presented to the EU summit in Florence last month. Far from being a textbook in corporatism, the action plan is a thoughtful blueprint for tackling rigidities in Europe's economy. The Irish presidency should consider a relaunch at December's Dublin summit.

It is tempting to contrast Mr Santer's fate in Florence with Mr Delors's summit successes. But Mr Delors was operating in a different era. The late 1980s were a period of solid economic growth. Governments had spare cash to hand over to Brussels. Last week, EU ministers actually *cut* the draft budget for 1997.

Mr Santer understands these financial constraints, just as he has grasped the political constraints of the post-Maastricht era. Mr Delors overreached in his relationship with the nation states; now the Commission is paying the price. The adjustment for the Brussels executive is all the more painful because the Commission's role is changing rapidly from the role of initiator of grand legislative projects to enforcer of law already on the books. In this respect, one of its chief tasks must be to police the single market and maintain the confidence of business and consumers in the project.

The Santer Commission's weakness is its lack of inspirational ideas. The ordinary citizen still has to connect with the Maastricht treaty review conference or the still greater challenge of EU enlargement to central and eastern Europe.

Inside the Commission there are only vague hints that people appreciate the financial and political shock which the next round of enlargement implies. This certainly applies to the institution itself. Despite useful recent reforms in financial management, working methods and culture have changed little in 30 years. There is a case for a new management review. In short, there is plenty for Mr Santer to contemplate during his summer vacation.

Poor reform

President Bill Clinton's desire to "end welfare as we know it" seems to have triumphed over his hopes of making the US welfare system any better. The Republican-sponsored bill which he has now promised to sign is a modest improvement on the two bills which he vetoed last year. But it is still a regressive attack on the country's meagre social safety net – which a reformist president not running for re-election would not have signed.

Both critics and supporters of the bill have dubbed it the biggest change in US social policy since the New Deal. For once, the hyperbole is accurate. In the Social Security Act of 1935 the federal government took over responsibility for ensuring a basic level of public support for every poor single parent family, or "mothers' pensions", as they were then known. In effect, the 1996 bill hands that responsibility back to the states, with added stipulations that henceforth welfare assistance will be limited to a lifetime maximum of five years per family and that half of all recipients must work after two years on the rolls.

Many US welfare experts have warned that the bill will have dire effects for the poor, particularly children. Yet it is a measure of the gamble involved that no-one really knows how states will respond to the new system, or the $55bn cut in federal benefit payments over six years, that goes with it.

What is clear is that the legislation ignores the main lessons of previous welfare reform attempts: that moving people from welfare to work takes time and money. It is a measure of Mr Clinton's insecurity that, even with a commanding lead in the polls, he no longer believes that he can afford to devote either to the reform effort on which he so forcefully campaigned in 1992.

Takeover rules

Rules governing the conduct of takeovers are far from adequate in many European countries. Incumbent managements can see off hostile offers too easily; the rights of minority shareholders are often brushed aside; shareholders are denied significant information; and some battles are policed poorly. All this impedes the efficient working of the market. However, the solution being proposed by the European Commission, in its controversial 13th directive on company law, is not the answer.

The draft directive, which has provoked strong opposition in the UK, is a well-intentioned document. It aims to harmonise EU practice by laying down broad principles and some general rules, leaving each member state a wide degree of discretion in the means of achieving them. The principles include proper protection of minority shareholders; the designation of national authorities to oversee bids; equal treatment for all shareholders; rules to ensure that boards act in the interests of their companies; and prevention of false markets in the shares of companies involved in a bid.

All these principles are already enshrined in the takeover regulations of the UK, which generates by far the greatest bid activity of any European country and has evolved the region's most comprehensive and respected rule-book, in the City takeover code.

It is therefore ironic that British opinion has been most vocal in attacking the directive. Opponents include the House of Lords Select Committee on the European Communities, which issued a report on the subject last month, the Law Society and the Takeover Panel, the self-regulatory City body. The government is likely to support the critics.

The objections fall into three categories. First, it is questionable whether the proposal accords with the principle of subsidiarity, which lays down that action should not be taken at the centre when it can better be taken at national level. Second, the text of the directive is so vague on some issues of takeover practice that it may not go very far in promoting genuine harmonisation. It fails, for example, to define the point at which control of a company is acquired, which is a key issue when considering the protection of minority shareholders.

But the greatest British concern is that the directive would undermine the Takeover Panel and its code, which are extra-legal, relying for their authority on the acceptance of City practitioners and an unwillingness by the courts to intervene. The directive would make the UK regime statutory, opening up the possibility of legal challenges to the panel.

Not all are convinced that this would be fatal to its authority. However, it is a racing certainty that companies fighting to retain their independence against a hostile bid would attempt frustrating legal action under the directive. Should the courts intervene, the strengths of the current system – speed, flexibility and certainty – would be lost.

The risk is not quantifiable, but it is sufficient to justify rejection of a directive which offers insufficient European harmonisation, and cannot address the cultural barriers which are the greatest impediment to progress. Market forces, in the form of more demanding shareholders and corporate need for international capital, are slowly breaking down these barriers. They should be left to do so.

From left to right
José Francisco Ruiz Massieu, Raúl Salinas
President Ernesto Zedillo
Carlos Salinas, Luis Colosio

Surrounded by Mexico's ghosts

President Zedillo is struggling to win the trust of his people despite improvements in the economy, say **Stephen Fidler** and **Leslie Crawford**

Foreign bankers were celebrating Mexico's return to the financial fold this week with a note issue raising $6bn on the international markets. But President Ernesto Zedillo was still wearing the haunted air of a man condemned to live with the past.

He stepped into a dead man's shoes to become president, replacing his friend Luis Donaldo Colosio, the candidate murdered five months before the August 1994 general election. Having won that election he inherited an overvalued currency and found himself presiding over a traumatic devaluation less than three weeks after taking office.

He allowed Mr Raúl Salinas, elder brother of former president Mr Carlos Salinas, to be jailed on on murder and corruption charges. Revelations about Raúl's hidden fortune and ties to prominent business executives have exposed the murky links between business and politics in Mexico, adding to the nation's sense of betrayal at a time of unprecedented economic hardship.

A year and a half into his presidency, Mr Zedillo has been unable to unravel the murder of Colosio, or that of José Francisco Ruiz Massieu, a leader of the ruling Institutional Revolutionary party (PRI) who was killed in September 1994. Most Mexicans believe the clues to the assassinations lie within the PRI. "It is disturbing that so many things have not been properly explained," a leading Mexican banker says. "It has contributed to the general feeling of unease, of uncertainty, that hangs over us like a shroud."

Such a bitter legacy explains why, despite early signs of economic recovery, Mr Zedillo is still struggling to win the trust of his people. A Mori opinion poll last month found only 14 per cent approved of his government – and 53 per cent disapproved.

So far, most of Mr Zedillo's plaudits have come from abroad. The former central banker has won praise for sticking to an unpopular austerity programme which has stabilised Mexico's battered currency and halved the annual rate of inflation to about 30 per cent in less than a year. The $6bn raised this week will go to repay, ahead of schedule, part of the $20bn credit line made available by the US during last year's financial crisis.

Economic activity has begun to recover from last year's 7 per cent contraction in gross domestic product. The revival, however, is almost exclusively confined to the export sector, a highly concentrated corner of the economy. According to GEA, the Mexican economic consultants, 580 companies accounted for four-fifths of the country's $79.5bn exports last year.

In the rest of the economy, the recession has cost almost 1m jobs, and Mexican wages will have lost 20 per cent of their purchasing power by the end of the year. Mr Guillermo Ortiz, finance minister, says consumption will not recover its pre-devaluation level until 1998 at the earliest.

Mr Zedillo is not promising any miracle cure either, and certainly not before next year's mid-term elections. "My government will not be one of surprises or spectacular announcements," he says. "If we want certainty, we need to move according to a plan. For this year, we fully expect to meet our 3 per cent growth target. In 1997, the Mexican economy will need to grow at a rate close to 5 per cent, and from 1998 onwards, we need to grow at rates significantly higher than 5 per cent if possible."

Mr Zedillo's ambitions for the economy have been greeted with scepticism. Against this lacklustre economic backdrop, The president is attempting the most radical overhaul of Mexico's political system since the ruling party took power 67 years ago.

Constitutional reforms approved by Congress this week will pave the way for more public financing for political parties and a fully independent election supervisor. External auditors will control how parties spend their money during elections and between them. The over-representation in Congress of the majority party – which has always been the PRI – will be reduced by cutting the bias in favour of the party that polls most votes.

"The great value of these reforms," says Mr Zedillo, "is that all parties represented in Congress put their signature to the agreement. We have never had this degree of consensus in Mexico.

"The problem with Mexico's political system is that each time we have elections, one side declares in advance the illegitimate nature of the rules and therefore refuses to accept the results," says the president. "Now that all parties have agreed to the new rules, they will also be obliged to defend and respect them. For me this was the key aspect of the agreement. Consensus was an objective in itself."

The electoral reforms, however, are not expected to usher in cleaner and fairer elections automatically. "The problem with Mexico is not its laws, but the way in which they are flouted," says Mr Felipe Calderón, leader of the conservative opposition National Action party (PAN). "New laws will mean nothing unless they allow us to examine the PRI's accounts. Where does it get its money? How does it spend it? I would give anything to know that."

Controversy over the PRI's apparently unlimited resources achieved the dimensions of a national scandal this year in Tabasco, an oil-rich state. The party is accused by the opposition Revolutionary Democratic party of spending more than $70m to secure the election of the state governor.

Last month a local prosecutor cleared the PRI of any wrongdoing shortly after Mr Zedillo visited Tabasco. Few Mexicans failed to link the two events.

Mr Zedillo says the Tabasco controversy was a state, not a federal, affair – so he was obliged to respect the rule of law and unable to intervene even if public opinion would have liked him to act. This narrow interpretation of his constitutional powers, and his reluctance to act outside them, is novel in a country more accustomed to authoritarian, all-powerful leaders.

"If we had a long tradition of judicial independence in Mexico, the president's approach would make sense," says a PRI veteran. "Nobody, however, believes in the law. The president's approach is therefore constitutionally correct, but politically unsatisfactory, because it solves nothing."

Many party members worry the president is abdicating vital powers necessary to maintain control over a diverse and fractious nation. Having little support within the PRI, the president has decided he will not interfere in party political affairs. He has also said he will not appoint his successor, foregoing the prerogative of all his predecessors since 1929.

Mr Zedillo's withdrawal from party politics has left the PRI scrambling to invent a new selection system to replace the presidential *dedazo* (big finger). Internal discord has postponed a national convention to launch a "renovated" PRI and new selection rules thrice so far this year.

"The next presidential candidate of the PRI will probably be selected by some kind of primary," says Mr Santiago Oñate, the PRI president. Some party stalwarts, he admits, are so angry at the government's mishandling of the devaluation they would like to disqualify all technocrats from standing for office. Other party members wonder whether the list of qualifications proposed for presidential hopefuls is not too stringent. "What is really being discussed is the best method to pick a winner," Mr Oñate says.

Mr Oñate insists the PRI and the president really want a more open, more accountable political system. But sceptics point to the lack of progress in the Colosio murder inquiry, and the government's reluctance to pursue corruption scandals linked to the privatisations of the Salinas administration (in which Mr Zedillo and many members of his cabinet served), as evidence that little has changed besides the rhetoric.

Mr Jorge Castañeda, an opposition political analyst, is among those who believe Mexico has not yet embarked on a democratic transition. Because there is widespread cynicism about the independence of institutions, he believes a break with the past can be made only through the establishment of a "truth commission" on the South African or Chilean models. Led by independent and respected notables, such a commission would examine all the issues of the past with a view mainly to knowing the truth, punishing some of the worst excesses and providing an amnesty for others. In this way a break with an unhappy past could be made.

Such ideas have sympathisers in the cabinet. "It is necessary for the health of the country to have a full report on the assassinations," one cabinet member said. "The reason we do not have one is that the political elite is too divided to agree on an 'official' explanation."

Even if the president were disposed to create a truth commission – and his emphasis on institutional solutions to problems suggests he would not be – he may not dare to for fear of what it would uncover. The fragile political and economic stability rebuilt since last year would be threatened.

"The past is still the dominant chapter in Mexico," says Mr Manuel Camacho, a former presidential hopeful who left the PRI last year. "And Zedillo is its prisoner."

· OBSERVER ·

At long last – lift-off?

■ Iberia, the debt-burdened state-owned Spanish airline which received a controversial Pta87bn ($707m) bail-out at the beginning of the year, is getting to know its new boss, Xabier de Irala, 49.

Yesterday he met the airline's truculent unions and today he's due to hold his first board meeting. He says he wants what the company has failed to deliver over the years: satisfied clients, motivated employees, a constant earnings improvement and a competitive edge.

This is radical stuff for Iberia, which ran up accumulated net losses of Pta240.9bn between 1990 and 1995.

But then de Irala, one of the most imaginative corporate appointments of Popular party leader Jose Maria Aznar's new centre-right government, is unsullied by public sector lethargy.

His background is in marked contrast to that of previous incumbents – there have been three in the past six years – who were drawn either from the upper echelons of INI, the public sector holding now being wound down, or the Francoist establishment, whose corporate acumen is best forgotten.

The son of a prominent Basque nationalist who was exiled after the Spanish civil war, de Irala was born and brought up in the US and has held senior executive posts in General Electric and in Asea Brown Boveri.

Fasten your seat belts as he introduces entirely foreign notions to Iberia – such as downsizing, or, in its case, right-sizing.

Don't bank on it

■ Costas Simitis, Greece's erstwhile mild-mannered prime minister, is showing his true colours – by starting to put his own stamp on the Panhellenic Socialist Movement.

After inheriting the party leadership last month from the late Andreas Papandreou, Simitis has started what promises to be a thorough purge of top officials who were close to his predecessor.

First to go is Anastasios Tzavellas, who held two big jobs simultaneously: governor of the state-controlled National Mortgage Bank and chairman of the Athens Airport Company, a joint venture between the Greek state and Germany's Hochtief group, which is building an Ecu2bn new airport for the capital.

Tzavellas's high-handed style annoyed the central bank. His mistake was to ignore a recent Bank of Greece request to rein-in mortgage lending. NMB's generous hand-outs contributed to a surge in credit expansion that threatened to blow the bank's monetary policy out of the water.

Commercial bankers were piqued over a different kind of loan. It just happened that NMB was the only Greek bank permitted to participate in a DM610m financing package for the Athens airport project, which was put together by Bayereische Vereinsbank.

But Tzavellas can take some comfort from the stock market's reaction to his dismissal. NMB more than doubled profits during his tenure.

The day his resignation was announced, NMB shares dropped by 8 per cent, the maximum allowed by Athens bourse rules before trading is suspended.

A grave business

■ In the UK, Douglas Davies, author of a book called *Reusing Old Graves* – voted by the Bookseller magazine Oddest Title of 1995 – is joining the board of the Crematoria Investment Company. CIC runs a crematorium in Aberystwyth, is developing two more in Wales and Scotland, and plans further expansion.

Asked what his tasks would be as a director, the expert on death rites said: "I don't know." Aged 49, he's professor of religious studies at Nottingham university, as well as an unpaid Church of England minister; but this is his first directorship.

Reusing Old Graves argued that most people think new bodies should be buried in existing graves, as a way of saving space.

Davies is quite prolific, having also written a UK-wide survey called Crematoria in Public Profile.

Crematoria are "a non-researched area in the UK, astonishingly", says Davies, who is described by CIC as "the owner of perhaps the most infectious laugh in the cremation business".

CIC hopes the death rate will pick up from 2004. The company blames the current lull partly on the second world war, which killed many people who would otherwise be dying now.

Dog days

■ Hollywood starlets insure their legs. Concert pianists insure their fingers. But in Vietnam, people insure themselves against being bitten by their dogs.

Bao Viet, an enterprising insurance company, recently started selling a special policy for pet owners worried about rabies. Concern is apparently so high in the central province of Hue that 30,000 pooch owners have bought into the package.

A mere 30 US cents buys protection worth $10 if the owner requires treatment for rabies. In one case, Bao Viet paid $136 to the family of a man who had died after being bitten by a rabid dog, a figure roughly equal to the province's annual per capita income.

But sadly, there's not a word on what happens if man bites dog.

The Financial Times

50 years ago

Shanghai Exchange to Reopen
The Shanghai Stock Exchange is being thoroughly reorganised for reopening. Formerly British-registered, the new exchange will be Chinese controlled, and only shares of Chinese limited companies or of partnerships that have been registered under Chinese Company Law will be accepted. Shares of foreign companies will be accepted only after they have been properly registered under the company law, and provided the foreign companies are doing business within Chinese territory.

The Volkswagen
A report that Bristol Aeroplane Company was to manufacture the Volkswagen, the so-called German people's car, was denied by a representative of the company yesterday. Mr. John Wilmot, minister of supply, said in the House of Commons on July 22 that proposals for manufacturing certain makes of German and Italian cars were being examined.

N. Rhodesia Mines to Close?
The Northern Rhodesia Chamber of Mines will have to consider placing all mines in Northern Rhodesia on a care-and-maintenance basis and gradually disperse the European and African employees, said a statement made at a meeting of the Chamber of Mines and the Northern Rhodesia Mineworkers' Union.

FINANCIAL TIMES
Friday August 2 1996

Governor insists there will be no devaluation

Thai central bank spends $1bn to defend currency

By Ted Bardacke in Bangkok

Thailand's central bank has spent more than $1bn, or nearly 3 per cent of its foreign reserves, fighting off a renewed attack on the baht over the past week, the central bank revealed yesterday.

For the first time, the bank has intervened outside the Bangkok market, selling dollars for baht in Hong Kong and Singapore where the Thai currency is actively traded, dealers said.

Pressure on the baht has intensified since late last week when the central bank scaled back its projections for export and gross domestic product growth and revised its current account deficit forecast to 7.8 per cent of GDP from 6.5 per cent.

This cast fresh doubt on Thailand's ability to sustain its export performance. The resulting market nervousness again caused the central bank yesterday to insist there would be no devaluation.

The size of the intervention and the methods employed were designed to send a message to speculators, said Mr Rerngchai Marakanonda, central bank governor. "We want to confirm our principles on the exchange rate system: there will not be any devaluation."

The bank has not called on repurchase facilities offered by other Asian central banks but the move into foreign markets mirrors the approach to intervention of the central banks of leading industrial countries.

More than half of all baht trading takes place offshore. Many traders have worried that this weakened the central bank's ability to influence the currency, despite foreign reserves of more than $39bn.

The latest intervention allowed the Bank of Thailand to fix the mid-rate of the baht at Bt25.22 to the dollar, an appreciation of the currency by six satang. The closing rate was Bt25.259 compared with Bt25.273 on Wednesday.

Separately, Thai brokers and mutual funds agreed to set up a support fund for the ailing Thai stock market. This has fallen by 15 per cent over the past month as currency trouble, together with worries about falling economic growth and poor corporate earnings, spilled into equities.

Taking a further leaf out of the books of the central banks of industrial countries, the Bank of Thailand resold baht purchased in Hong Kong and Singapore in the forward market.

This helped ease the money market pressures and offset the drain of baht liquidity as a result of its intervention in the spot currency market. The bank also offered to buy bills of exchange from banks and finance companies, in addition to government bonds.

Yet this intervention has been only partially effective, with short-term interbank rates still at 17 per cent, down from a high of 26 per cent on Wednesday. "The bank is in a difficult situation here," said one Thai fixed-income analyst. "The system can only handle rates like this for a week or two. But if they pump in too much money they undermine the baht. So far they're doing OK."

World stocks, Page 30

German growth expected to pick up next year

By Judy Dempsey in Bonn

The growth rate of the German economy should pick up again next year, but the Ifo economics institute is forecasting a modest 2 per cent rise after only 0.75 per cent growth this year.

In its latest monthly report, the institute said that sustained growth would continue to be heavily dependent on exports as consumer spending and construction remained sluggish.

It warned that high unemployment would persist as industry continued to rationalise in a bid to cut costs and increase competitiveness.

The report, in line with recent government estimates showing signs of recovery, estimated that growth in the second quarter would more than make up for the seasonally adjusted 0.5 per cent fall in the first quarter.

The main source of strength in the economy continues to be exports, despite slow economic growth throughout the European Union and frequent complaints that high operating costs are hurting the international competitiveness of German industry. Ifo said German exports would grow a real 3.5 per cent this year compared with 1995 and surge to 5 per cent next year.

"German companies are targeting the fast growing economies, particularly the south-east Asia markets and indeed eastern Europe," said Mr Holger Fahrinkrug, chief economist at UBS in Frankfurt. "Much still depends on the strength of the D-Mark against the US dollar."

The boost in exports is having a spin-off effect on investment in plant. After a 2 per cent rise in 1995 followed by zero growth this year, Ifo expects an increase of 3 per cent next year.

But Ifo and analysts said the effects of these positive trends would take some time to filter to other sectors of the economy.

Ifo said the unemployment rate would dip to under 10 per cent in the second half of this year, compared with 10.5 per cent in the first half, but expected it to rise to 10.5 per cent early next year.

Consumer spending, influenced by fears of unemployment, the heavy tax burden and the government's plans to introduce savings of DM50bn ($33bn) next year through social welfare cutbacks, was set to grow a modest 2 per cent this year compared with 1.7 per cent last year and a further 2 per cent in 1997, Ifo said.

Investment in the construction industry might fall as much as 4 per cent this year in west Germany and it believes a boom in east Germany is about to end. Ifo reckons overall growth in construction will fall 4 per cent next year after a decline of 1 per cent for the second half of this year and a sharp drop of 5 per cent during the first six months caused largely by a long winter.

US and Japan agree outline for new semiconductor deal

By Our Foreign Staff

The US and Japan yesterday agreed on the framework of a new semiconductor accord that Tokyo hopes will begin as a bilateral pact and evolve into a multilateral agreement including the European Union.

Negotiators meeting in Vancouver agreed that the two countries would continue to monitor market share through their semiconductor industries.

This marked a shift from the government intervention at the centre of two previous US-Japan semiconductor pacts.

The two sides were continuing to negotiate the details of how market share data would be interpreted by the governments as an indication of market openness.

Tokyo has insisted that the US government should not have a direct role in the monitoring of the market.

However, negotiators were fearful the deal could still fall apart if some of the outstanding points were not agreed.

"It has been frustrating," said a US trade official.

"Every time we seem to be close to closing our differences, it evaporates," he added.

Officials earlier said they had made rapid progress on a two-pronged deal in which the semiconductor industry will play the central role in collecting, analysing and reporting data on Japan's $44bn computer chip industry, leaving governments only a vague role in monitoring developments.

"If you have the data, you know how the market is functioning," one US trade official said. It will be easier to determine whether a drop in foreign sales in Japan is due to anti-competitive practices or other forces and also help the industry keep an eye on potential dumping in the face of falling prices.

A 1991 semiconductor agreement that called for collecting similar information and quarterly reports on foreign makers' share of Japan's semiconductor market expired on Wednesday.

US president Bill Clinton and Japanese prime minister Ryutaro Hashimoto agreed last month to settle the dispute over computer chips and another one over insurance trade by July 31. With the prestige of their leaders at stake, negotiators were making an all-out push for a deal even though they were unable to meet that deadline.

A pact would be another pre-election trophy for Mr Clinton. Just as the US-Japan agreement on the car industry was designed for Detroit, an important area electorally, an extension of the semiconductor agreement is aimed at Silicon Valley in California, the most populous state.

It has not been easy for US trade officials to justify demands for a new pact when the old one brought them more than 30 per cent of the Japanese market. The initial target was 20 per cent. "It would be a remarkable act of bad faith if things went back to the way they were," a US official said.

Europe seeks role in chip pact, Page 6

Boeing to buy part of Rockwell for $3bn

Continued from Page 1

chairman, said that defence would balance Boeing's commercial aircraft business, since the two industries tended to move on different cycles.

Rockwell will emerge from the disposal with the financial flexibility to mount a big acquisition of its own. The company will be virtually debt-free, and its strong cashflow – despite a $1bn share buy-back programme announced yesterday – will enable it to make "complementary acquisitions", said Mr Donald Beall, chairman.

Rockwell, which grew through a number of acquisitions of its own to become a broad-ranging conglomerate, has set its sights in recent years on factory automation and electronics. Rockwell is thought to have considered a sale of its car parts business – the original core of the company when it was formed in 1919 – to focus on these faster-growing markets.

THE LEX COLUMN

Boeing goes ballistic

After its failure to merge with McDonnell Douglas earlier this year, Boeing's $3.2bn acquisition of Rockwell's aerospace and defence operations looks like a consolation prize.

That does not make it a bad deal. The two businesses complement each other in defence electronics, space systems and missiles, providing plenty of scope for cost savings. Moreover, Rockwell's electronics expertise will lend credibility to Boeing's bid to manufacture the next-generation US Joint Strike Fighter, one of the fattest contracts around. Despite that, Boeing is paying only once sales, well below the *1.2 times Northrop Grumman* forked out for Westinghouse's defence operations. That should make the purchase earnings-enhancing from 1998.

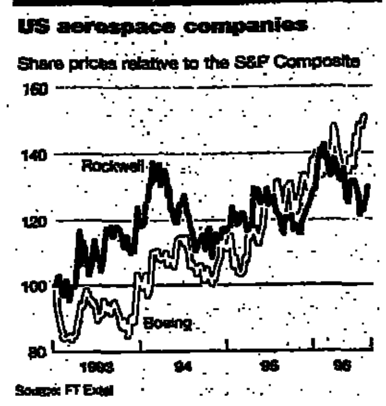
But it still leaves Boeing with some catching up to do in the rapidly consolidating US defence industry. Its combined annual revenues of $8.8bn will be well behind Lockheed Martin, the leader with sales of $25bn. Given Boeing's ambitions to be one of the survivors of the shake-out, further acquisitions look inevitable. That in turn could push its rivals closer together: a combination of McDonnell Douglas and missiles specialist Raytheon would make sense.

Rockwell, which faced the choice of doubling up or getting out of defence, is in good company by opting for the latter route. Honeywell, Ford and Westinghouse have all withdrawn from defence in the past few years. With good positions in factory automation, semiconductors and car parts, as well as $500m of net cash after this deal, Rockwell looks the real winner.

FT-SE Eurotrack 200: 1664.7 (-13.4)

US aerospace companies

Share prices relative to the S&P Composite



Source: FT Extel

Shell

The point of investing in Shell, supposedly, is that you can be sure of it. Well, not yesterday. Strip out currency effects and a higher tax charge, and the second-quarter results were not too bad. But they certainly were not the pleasant surprise provided by most of the US majors, or Shell itself in the first quarter. And the company's downbeat noises about prospects in chemicals and Far Eastern refining did nothing to help.

Still, there is a case for the shares' punchy rating of 15 times next year's earnings. After all, Shell's future production growth looks impressively healthy. And if the phenomenal sums being thrown off in free cash are anything to go by, dividend growth should be much stronger than the shares' undemanding yield would imply. This may not make them cheap by comparison with British Petroleum, whose commitment to boosting returns is much more clear-cut. But compared with the US majors – whose prospects are generally duller – Shell's rating looks quite tempting.

Nonetheless, excellent "upstream" results – the oil price and demand are both strong – cannot disguise the fact that returns in Shell's chemicals and downstream businesses are lousy. True, the company is making some progress in grinding unit costs down. But this is too slow; more radical action will be needed to get returns in these businesses up to acceptable levels, Moreover, Shell is over-fond of its inefficient balance sheet: 16 per cent of capital employed, mostly cash, is generating a return of just 3.5 per cent. While this persists, investors could be forgiven for questioning just how deep the company's commitment to shareholder value really runs.

TI Group

TI continues to produce impressive results. In the first half, the engineering group increased underlying profits by 15 per cent on a 7 per cent improvement in sales. But with the shares trading at a 30 per cent premium to the stock market average – a higher rating than both Siebe and Smiths Industries – investors have come to expect as much and more.

The obvious way to deliver more is through acquisitions. But despite a growing cash pile – now £71m – there have been no significant purchases in the past 18 months. Given the negative reaction to the group's takeover of Dowty Aerospace in 1992, chairman Sir Christopher Lewinton's caution is understandable. He does not want to endanger TI's hard-won rating by buying lower-quality businesses or overpaying.

Another difficulty is that the group is unwilling to stray outside existing core areas like automotive tubes, mechanical seals or polymers. However, TI's strong market positions mean bolt-on purchases large enough to make an impact are hard to find. One notable exception is the joint venture with Messier in aircraft landing gear. TI would dearly like to take full control, particularly since a reducing profit share arrangement dilutes its exposure to recovery in the aerospace market. But with the French unwilling to sell, there is little Sir Christopher can do but wait.

Of course there is always scope to win a bit more market share and to tease up margins by improving the product mix. But until TI takes the plunge and buys something it is hard to see the shares outperforming.

Kepit

It is easy to conclude that the best thing for the Kleinwort European Privatisation Investment Trust (Kepit) would be to put it out of its misery, as proposed by TR fund management's European Growth Trust. Kepit was both ill-conceived, raising far far more than it could wisely invest, and ill-timed, since it emerged in the depths of European recession and shortly before a stock-market correction. Moreover, its performance has been far worse than its peers. But if it is to be put down, it should be at the hands of Kleinwort.

TR certainly deserves gratitude for its intervention. Corporate raiders provide a useful service in the investment trust industry, where excess supply of funds and poor management can cause substantial discounts to net asset value. But TR's raid promises more than it is likely to deliver. Not only do the TR fund and its advisers stand to cream off around £3m more than if Kleinwort were to liquidate Kepit itself but, given the limited time-frame under which TR is operating, marketmakers would spot them from a mile off and mark down the prices of the shares in Kepit's portfolio in anticipation.

Of course, Kleinwort may not want to destroy a fund from which it receives £4m a year in management fees; but with vultures circling it could probably be persuaded to change its mind. Or it could offer alternatives such as converting Kepit into a unit trust, or switching investors into a more successful fund. Certainly, Kleinwort should be able to offer something better than TR, and more compelling than the miserable performance of the current portfolio.

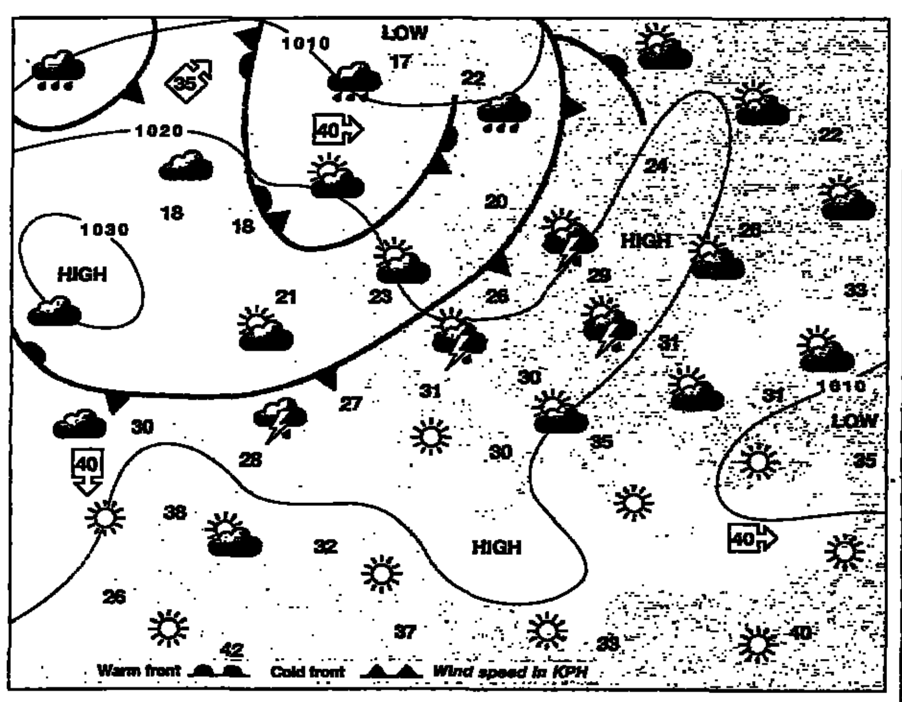
FT WEATHER GUIDE

Europe today

The British Isles will be mostly cloudy with some light rain. Western Europe will be mainly dry and less gloomy with occasional sunshine. A cold front will stretch from the Baltic states, across the Alps and into northern Spain, bringing rain with some thunder. Scandinavia will be mostly cloudy with showers. High pressure will bring mainly sunny and warm conditions to southern and eastern Europe, but isolated showers are possible. There will be very high temperatures in Spain and in the Balkans.

Five-day forecast

Heavy thunderstorms will develop over eastern Europe as a cold front meets a warm air mass. Western Europe will have more sunshine with higher temperatures as an area of high pressure moves across the British Channel towards the Baltic Sea. Southern Scandinavia will become dry with sunny periods later on. An intense low will form near Iceland after the weekend and its fronts will bring rainy periods to the British Isles.

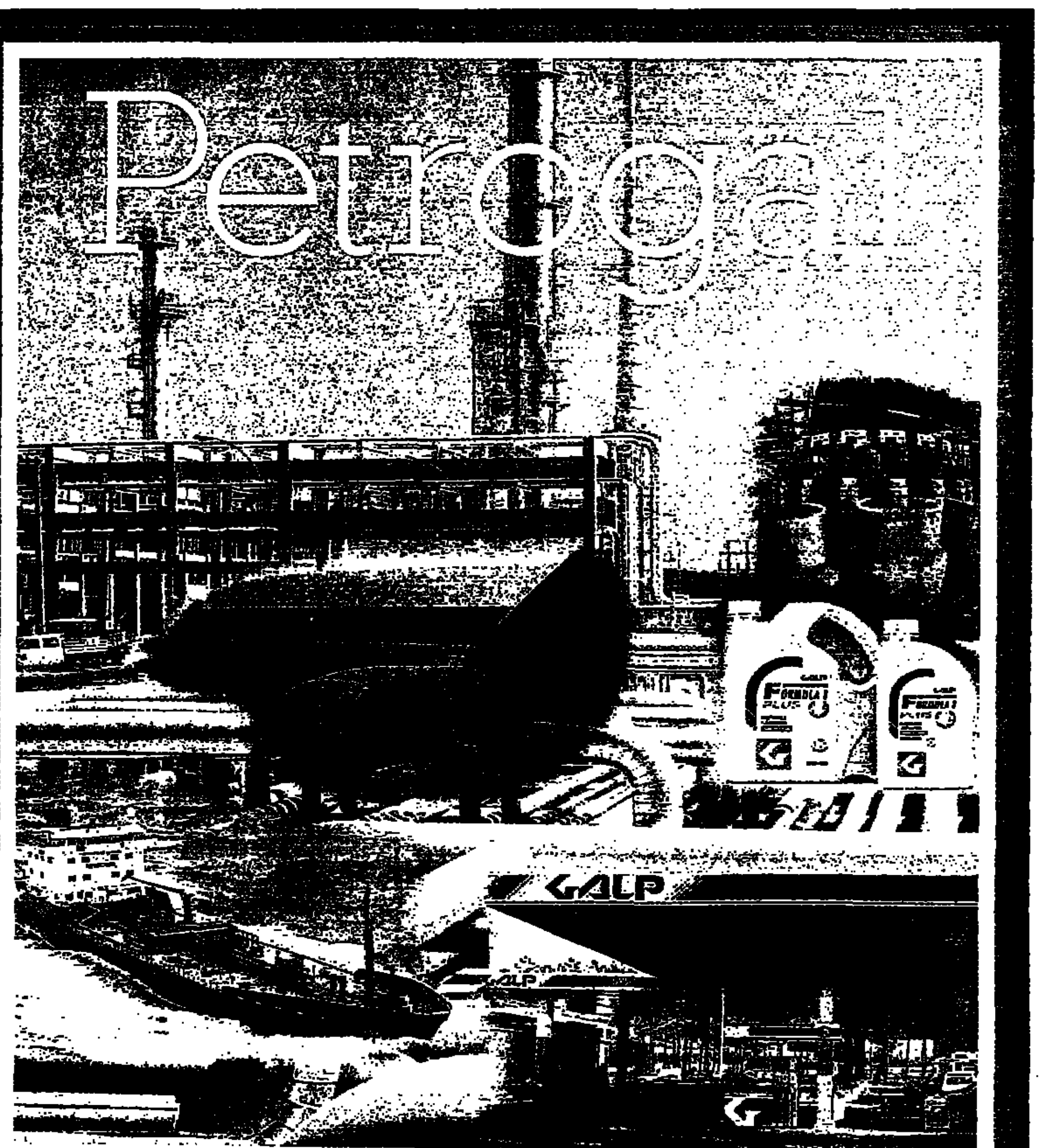


TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

		Maximum	Beijing	fair	31	Caracas	shower	31	Faro	fair	29	Madrid	sun	35
		Celsius	Belfast	drzzl	18	Cardiff	cloudy	18	Frankfurt	fair	26	Majorca	sun	30
Abu Dhabi	sun	41	Belgrade	fair	30	Casablanca	fair	26	Geneva	shower	28	Malta	sun	31
Accra	fair	27	Berlin	fair	23	Chicago	fair	27	Gibraltar	sun	28	Manchester	drzzl	18
Algiers	sun	31	Bermuda	fair	28	Cologne	cloudy	22	Glasgow	cloudy	18	Manila	shower	32
Amsterdam	cloudy	20	Bogota	fair	15	Dakar	shower	29	Hamburg	shower	20	Melbourne	rain	14
Athens	sun	32	Bombay	cloudy	31	Dallas	fair	37	Helsinki	rain	20	Mexico City	fair	31
Atlanta	sun	32	Brussels	cloudy	20	Delhi	fair	30	Hong Kong	shower	31	Miami	sun	33
B. Aires	sun	21	Budapest	fair	31	Dubai	sun	40	Honolulu	fair	32	Milan	fair	29
B.ham	cloudy	19	C.hagen	cloudy	20	Dublin	cloudy	19	Istanbul	sun	31	Montreal	fair	27
Bangkok	shower	34	Cairo	sun	39	Dubrovnik	fair	31	Jakarta	fair	32	Moscow	cloudy	22
Barcelona	fair	28	Cape Town	fair	14	Edinburgh	cloudy	19	Jersey	fair	17	Munich	shower	26
									Karachi	fair	30	Nairobi	fair	24
									Kuwait	sun	47	Naples	sun	31
									L. Angeles	fair	24	Nassau	fair	33
									Las Palmas	fair	28	New York	fair	28
									Lima	cloudy	18	Nice	sun	30
									Lisbon	sun	30	Nicosia	sun	38
									London	cloudy	22	Oslo	shower	17
									Lux.bourg	fair	23	Paris	fair	25
									Lyon	shower	27	Perth	shower	16
									Madeira	fair	25	Prague	shower	26

Rangoon	cloudy	29
Reykjavik	rain	14
Rio	fair	24
Rome	sun	32
S. Frsco	fair	21
Seoul	sun	33
Singapore	fair	32
Stockholm	shower	22
Strasbourg	fair	27
Sydney	fair	16
Tangier	fair	30
Tel Aviv	sun	35
Tokyo	fair	31
Toronto	shower	26
Vancouver	cloudy	19
Venice	fair	29
Vienna	shower	30
Warsaw	shower	27
Washington	fair	30
Wellington	shower	10
Winnipeg	fair	28
Zurich	shower	26



Demand for western skills is growing as expatriate companies put down roots in Russia, says **John Thornhill**

Opportunities blossom in the Wild East

Not long ago young foreigners with a sense of adventure and a knowledge of Russian could find a challenging and well-paid job in Moscow with a degree of responsibility undreamed of back home.

In the early 1990s, it seemed, only the brave, committed, or foolhardy ventured to the "Wild East", throwing up great opportunities for those who made the trip.

Many western companies viewed Russia, like 19th-century America, as the ragged frontier of capitalism, a dangerous, seemingly lawless land but with unbounded longer-term possibilities.

To explore the Russian market without committing much capital, they opened representative offices giving jobs to young – and comparatively cheap – linguists with limited commercial skills.

But parts of the Russian economy, particularly the underdeveloped services and consumer products sector, have been growing at an astonishing pace. Many of these entrepreneurs have gone on to head businesses which have blossomed into $50m turnover companies.

As the market has matured and the economy has stabilised, many multinational companies such as ABB, Tetra Laval, Mars, Nestlé, Philip Morris, and Cadbury Schweppes have started putting down deeper roots in Russia and opened manufacturing plants.

Their demand is now for more experienced western managers with specific financial, marketing and restructuring skills. Knowledge of the Russian language or culture is often a secondary concern.

"Along with the heavy investments come the heavy people," says one management consultant who advises a range of western companies.

A survey of 35 businesses active in Russia conducted by Korn/Ferry International, the recruitment consultancy, found expatriate executives retained a big role in the management market in spite of attempts by companies to "Russify" their operations.

A new generation of talented and energetic Russian managers may have emerged since the collapse of the Soviet Union. But few western companies are prepared to entrust their sensitive financial and strategic jobs to local staff.

Foreign companies need to submit internationally acceptable accounts to their head offices and maintain stringent controls over their brand names and quality of their production. Such jobs are still overwhelmingly the preserve of foreign middle-ranking corporate managers.

According to the study, a western executive will typically spend between three and six years in Russia and can expect to work extremely hard during that time, imposing a strain on family life. Often managers end up performing tasks way beyond their nominal fields of responsibility given the unpredictable nature of the business environment.

Salaries are generally high and perks are good to compensate for the hardships and the fact that Moscow has rapidly become one of the most expensive cities in the world. The rent on a quality apartment is about $5,000 a month.

But attracting managers of sufficient calibre is still a difficult task. Western perceptions of Russia – most of them negative – still act as a deterrent no matter how far they lag behind the fast-changing reality.

Mr Jonathan Holmes, country manager for Korn/Ferry, says he has to work hard to overcome managers' suspicions of Russia, which is viewed as economically backward, politically unstable and criminalised. But he says many managers are tempted by the excitement of working in such a dynamic country once they know what it is like on the ground.

"People quickly realise it is a bloody interesting market," says Mr Holmes. "They may be worried about personal security but I certainly feel safer walking around these streets than parts of London."

Yet working in Russia is certainly not for the faint-hearted. In some respects, Moscow does resemble a third world capital with poor infrastructure and corrupt and obstreperous petty officials. Moscow's Sheremyetevo airport remains a byword for frustration.

Telephones still work only sporadically, travel outside the big cities can be uncomfortable, and an arbitrary ruling by the tax police can spell the difference between a company's success or failure.

Undoubtedly, crime does impinge on some businesses and a handful of previously immune western companies have been targeted by criminal organisations or defrauded by business partners.

"You achieve 80 per cent by putting in 120 per cent in this market," says Mr Holmes.

Encouragingly, however, there is pressure for improvements in working and living conditions coming from both local and foreign companies.

There are perhaps now more than 50,000 expatriates in Moscow, a rich enough pool of customers to encourage the opening of new restaurants and supermarkets. More importantly, a wealthy stratum of extremely wealthy Russians has emerged, also demanding better goods and services.

Russia also boasts many compensating virtues and there is an astonishing level of sophistication about many areas of life. Russia, with an extremely rich national culture, is certainly the only emerging market with an orbiting space station and a 99 per cent adult literacy rate. "I visited a town of 80,000 people the other day and 1,000 of them had PhDs," says a western fund manager. "Where else in the world can you find that?"

Some foreigners are so attracted by the opportunities in Russia that they are even joining local companies believing they offer more exciting job prospects – and better pay.

Miss Danielle Downing, a 31-year-old business graduate from Warton business school, came to Russia in 1990 to help set up the Moscow Commodity Exchange. She now heads the research and sales department at Alliance-Menatep, a Russian investment bank.

"This is the most dynamic emerging market in history," she says. "Combining western management practice and Russian entrepreneurialism certainly makes an exciting mix."

In the collective image of the western media, Russia appears to resemble a drunk – out of control, short of cash, and lurching from one ill-mannered confrontation to another.

Economic hardship, resurgent communism, the conflict in breakaway Chechnya, and a brutal wave of contract killings dominate most newspaper headlines and television news bulletins about the country.

But such attention-grabbing incidents fail to reflect the many quieter social and economic developments rapidly turning Russia into a more "normal country" in which to live and work.

One of the best ways of appreciating how much the country has changed is to read the travel tips in old guidebooks about the former Soviet Union and contrast them with present-day realities.

For a start, visitors to Moscow no longer need to bring their own provisions. The queues, which were a seemingly permanent feature of Russian life in Soviet times, have disappeared. Most goods are now available – at a price.

It is no longer necessary to bring jeans, pens, or cigarettes to curry favour with Russian officials. Moscow's wealthy elite, clad in their finest designer clothes and supping at $300-a-head restaurants, now sneer at foreigners as the *nouveaux pauvres*.

Foreigners are free to travel almost anywhere in Russia. Some aspects of Russian life, though, remain immutable. A high tolerance for vodka is still a considerable business asset.

APPOINTMENTS WANTED

UK Institutional Dealing Manager and Equity Sales Traders

Highly competitive remuneration package

We represent one of the leading securities brokers with offices in the key financial centres of Europe, Asia and North America who are looking to take on three individuals to strengthen their London office.

All candidates must be educated to a high standard and be fully computer literate. They will be highly motivated self-starters with a lively personality and with established relationships with major UK and European institutional clients. The ability to communicate orally and in writing at all levels is essential and language skills would be favourably received.

Senior UK Institutional Dealing Manager

- reporting to the Dealing Director.
- managing team of up to twenty people responsible for growing revenues from an established and growing list of institutional clients.
- responsible for maintaining client relationships at a senior level.
- identify and introduce new clients to the company.
- minimum of five years experience in global equity markets, dealing with UK and continental European institutional clients.
- managerial experience essential.

European and US Equity Sales Traders

- working as part of a small team of four people.
- responsible for helping to grow revenues from existing and new institutional clients based in the UK and throughout continental Europe.
- use traditional sales/trading methods to form, maintain and grow a relationship with these clients.
- minimum of two years experience in the European/US equity markets, dealing with UK and continental European institutional clients in European/US OTC, Listed and ADR markets.

For a confidential discussion please contact Kate Dereham or Edward Hunter Blair, Telephone: 0171-236 2400, Fax: 0171-236 0316 or apply in writing to: Sheffield-Haworth Ltd, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

SHEFFIELD-HAWORTH
Consultants in Search and Selection

World Meteorological Organisation

WANTED: CHIEF, FINANCE AND BUDGET DIVISION

The World Meteorological Organisation, a specialised agency of the United Nations common system with Headquarters in Geneva, seeks qualified male or female candidates for the position of Chief, Finance and Budget Division.

We require recognised academic and/or professional accounting qualifications and 15 years of progressively responsible work experience leading to a similar position, preferably acquired in an international organisation, with a good mix of budgeting, financial management and practical accounting: in-depth knowledge of EDP applications; demonstrated ability to express himself/herself clearly and convincingly, both orally and in writing; excellent knowledge of English or French and a very good knowledge of the other language.

We offer competitive international salaries, with a minimum annual net salary plus post adjustment of US$102,772 (single rate) or US$110,814 (dependency rate), and an attractive package of allowances and benefits as applicable to the U.N. common system.

Last day for receipt of applications: 30 September 1996. The detailed vacancy announcement may be obtained from the Personnel Division, World Meteorological Organisation, P.O. Box 2300, 1211 Geneva 2, Switzerland, quoting "Vacancy Notice No. 1391 REV". A self-addressed envelope (22.8 x 16.2cm or 9" x 6.35") should be enclosed with each request. Applications must be made on WMO Personal History Forms which will be sent with the vacancy notice.

Bank of Ireland Asset Management

SINCE ITS FOUNDATION IN 1966, BANK OF IRELAND ASSET MANAGEMENT (BIAM) HAS GROWN A GLOBAL BUSINESS WITH A PROVEN TRACK RECORD OF OUTSTANDING LONG TERM INVESTMENT PERFORMANCE. FUNDS UNDER MANAGEMENT WORLD-WIDE ARE APPROXIMATELY £10BN. BIAM MANAGES GLOBAL SECURITIES FOR A BROAD RANGE OF CLIENTS IN IRELAND, THE US, CANADA, THE UK, GERMANY, AUSTRALIA AND SOUTH AFRICA.

Administration Manager

Due to the continuous growth of our business, an exciting opportunity has arisen to join our London-based team.

This key role involves the management of a team who provide the administrative function of the London office. Team responsibilities include Portfolio Administration, Sales Support, and Regulation and Compliance.

Reporting to the Managing Director, the successful candidate will co-ordinate and manage the team's activities ensuring their efficiency, accuracy and timeliness. In addition, the role will involve ongoing projects such as I.T. enhancements and client service requirements.

Candidates, ideally in the 28–35 age group, will have a minimum of 5 years experience in client servicing and administration within the fund management industry. They will be ambitious, highly numerate and will be versatile in the use of personal computers. Experience of project management will be a decided advantage.

An excellent salary and benefits package, which is performance driven, will be offered to the successful candidate.

Please write, enclosing a detailed curriculum vitae, to:

Ann Ringrose
Personnel Manager
Bank of Ireland Asset Management (UK) Limited
36 Queen Street
London EC4R 1BN

Closing date for receipt of applications: 14th August 1996

BIAM IS AN EQUAL OPPORTUNITIES EMPLOYER

Bank of Ireland Group

The Julius Bär Group recently opened a sales desk for German equities in New York. To build up this DEM equity sales desk we are looking for a highly motivated and aggressive

Senior DEM Equity Sales Person

with several years sales experience in DEM equities, as well as a

Junior DEM Equity Sales Person

with 1-2 years sales experience. Interested candidates should have an established account base and analytical capabilities coupled with research skills. A good team spirit is required. Spoken German would be an asset.

We can offer interaction with a highly motivated staff, a competitive compensation package, and an attractive as well as challenging job in midtown New York.

Please send your resume to: Bank Julius Bär (Deutschland) AG, Attn. Human Resources, P.O. Box 15 01 52, 60061 Frankfurt am Main. For further details please contact our Human Resources Dept. in Frankfurt at Tel.: +69-75696-115 or -150. All correspondence will be treated in the strictest confidence.

JBoB
BANK JULIUS BÄR
(DEUTSCHLAND) AG

FUND MANAGER

PRIVATE CLIENT PORTFOLIOS

Rothschild Asset Management Limited manages funds for UK and international clients, both private and institutional, and is part of a global network within the Rothschild Group. Continued growth has resulted in the need to recruit an experienced Private Client Fund Manager.

Working as part of a small successful team the role will involve managing a designated group of private client portfolios and new business development initiatives.

Liaising directly with high net worth clients, this is an opportunity for a high calibre individual with at least five years solid experience in a discretionary private client fund management environment. Applicants are likely to be graduates, deemed to be IMRO threshold competent and, ideally, members of the IIMR; the successful candidate must also possess excellent communication and analytical skills together with a good knowledge and understanding of the investment markets.

The position carries a first-class compensation package with the usual benefits; success in this high-profile role will lead to good prospects for future career advancement within the Rothschild Group.

Please send your full curriculum vitae (including details of current remuneration) in the strictest confidence to Sara Morris, Personnel Manager, Rothschild Asset Management Limited, Five Arrows House, St. Swithin's Lane, London EC4N 8NR.

Consulting Professionals

Barents Group is a growing consulting firm that provides corporate finance, financial sector and economic policy related services in emerging markets. The company operates through a network of over 20 offices worldwide. Barents has several immediate openings with highly competitive remuneration packages for experienced professionals based in London, Central Europe and the CIS.

SENIOR ASSOCIATE/MANAGER - London-Based
(Reference Code: SAM)

Position will be responsible for the management of proposals to institutions of the European Union, EBRD and other European multilateral and development agencies; marketing Barents Group towards potential commercial and multilateral clients and partners across Europe; identifying and coordinating new project development; and executing consulting assignments.

Successful candidates will possess extensive experience in consulting/finance in emerging markets in Central and Eastern Europe, and a background working with European development institutions and multilateral agencies. The ability to adapt rapidly in a fast changing market environment is essential. Knowledge of major European languages is a definite advantage.

RESEARCH ASSOCIATE/ASSOCIATE - London-Based
(Reference Code: RAA)

Individual will support proposal writing processes, production of presentations, operate and manage a variety of proprietary databases (Notes, Access, FoxPro-based), and develop corporate literature and marketing material.

Successful candidates will have excellent writing and communication skills, the ability to take personal responsibility for product development and a willingness to work in demanding, fast-paced and changing business environments. Experience in consulting/marketing, as well as knowledge of major European languages are definite pluses.

SENIOR ASSOCIATES/MANAGERS/DIRECTOR - CEE-CIS-UK-Based
(Reference Code: SAMD)

Due to the rapid development of Barents Group's worldwide operations and the continued expansions of its network of local offices, the company is now seeking to hire select individuals and expand its consultant base to continue the company's growth into the future.

We are seeking to staff permanent positions and short/long term consulting assignments based in Barents Group's worldwide offices in Central/Eastern Europe, CIS, Latin America, Southeast Asia. Responsibilities will include execution of consulting and finance projects within the scope of the 5 practices of Barents Group:

- *Merchant Banking and Corporate Services Practice*
- *Policy Economics Practice, Health Economics Practice*
- *Financial Sector Services Practice*
- *Information Technology Practice*

Relevant finance/consulting/industrial experience within Barents primary sectors of operation is essential. Fluency in additional EU or Eastern/Central European languages and the ability to work on European Union financial projects are advantages.

For more information or to apply, please mail or fax CV's and a cover letter indicating appropriate Reference Code to: Barents Group (Europe), Human Resources Department, Reference Code_____, 19-25 Argyll Street, London W1V 1AA, United Kingdom. Fax: +44 171 333 1451.

BARENTS
GROUP • LLC

CHIEF INFORMATION OFFICER (CIO)

A leading Commercial Bank in the Sultanate of Oman requires a Chief Information Officer.

FUNCTIONS

Responsible for all Information Technology (IT) related functions in the Bank including:
Computer Department, O&M Department, MIS, Business Process Reengineeering, End user Training

The position is a senior management position, reflecting the core competence of the IT function in the Bank. The CIO should provide vision and leadership of the IT function as the key enabler of the bank's business and its future direction, as well as contribute in the development and delivery of the products and services offered.

PROFILE

The CIO should be an expert in at least one of the following three areas, with good exposure in the other two: Banking, InformationTechnology, Strategic Planning and Change Agent. He should currently be holding a senior managerial position.

Please apply, enclosing your CV, to:

P.O. Box 1611, Ruwi
Postal Code 112
Sultanate of Oman

TAKE PRECISE AIM

TARGET THE BEST

By placing your recruitment advertisement in the Financial Times you are reaching the world's business community

For information on advertising in this section please call:

Robert Hunt..........on +44 0171 873 4095
Andrew Skarzynski..........on +44 0171 873 4054

The Federation for projects connected to the International HUMANA People to People movement seeks:

- Child Aid program managers
- Vocational school headmasters
- 2nd managers buildings projects
- Headmaster Street Kid Schools

and others.

The activities are in the rural areas in Zimbabwe, Angola, Zambia and Mozambique. Responsibilities: economy, planning, expansion and daily running of the activity. The applicant must have experience from similar work and experience from work in Africa is an advantage.

Application with full CV must be sent to: Headquarters c/o DAPP P.O. Box 4657, Harare, Zimbabwe

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Business Guru for Software Co.

Explosively energetic business person (with mgt/acc quals) sought for new software Co. (as shareholder) to join R&D team in creating revolutionary business software (for world-wide market)

J Friedman
01582 696911

RISK MANAGEMENT ADVISER, CHINA

A leading international investment bank requires a Risk Management Adviser to join their global team of advisers in London, with particular responsibility for China.

The Adviser will advise clients on (a) foreign exchange and interest risks, in particular, those associated with inward and outward investment in China; and (b) dealings generally with Chinese enterprises.

The successful candidate must have

- an excellent academic background in a financial discipline to business school or doctorate level
- at least 2 years' relevant experience in a sophisticated derivatives environment
- highly developed analytical/quantitative/ computer skills
- fluency in Chinese Mandarin and English
- cultural knowledge of China and its business environment

Salary: £30,800 plus bonus

Written applications to: Box A5651, Financial Times, One Southwark Bridge, London SE1 9HL.

CHARTERED ACCOUNTANT

THE INTERNATIONAL MONETARY FUND is seeking a professional accountant for its headquarters in Washington DC, (USA) to be responsible for:

- the financial accounting
- the control of transactions & operations
- the conduct of financial analysis over a wide field of our financial operations & policies

The selected candidate will work as a member of a team and report to the Assistant Treasurer of the Fund, responsible for financial accounting and reporting.

Minimum requirements: A postgraduate degree and professional accounting certification, together with 3-5 years of relevant work experience (in a public accounting firm and/or in a bank or financial environment). The successful candidate must have strong analytical abilities, experience in financial reporting and proven writing skills in English.

An appointment will initially be for 3 years, with further career possibilities based on performance and potential.

How to apply: Curricula vitae should be submitted BEFORE JULY 26, 1996 with reference to this position, to:

INTERNATIONAL MONETARY FUND
Recruitment Division, Room IS9-100
700 19th Street, NW
Washington, DC 20431 (USA)
Telefax: (202) 623-7333
Internet: recruit@imf.org

EQUITY ANALYSTS

Analysts with at least two years' experience in broking or fund management who are looking for exciting new challenges with a leading (listed) broker in a dynamic, fast-growing economy should fax a full CV as below. We will be interviewing in London in September, or in Bangkok at any time.

Head of Research
Krungthai Thanakit
+66 2 661 6421

GRADUATES
For the City

Applications invited from exceptional recent or experienced graduates for 5 positions in accelerated career programme with private firm. Contact:
ROB ADAMS
0171 240 4943

CREATIVE DIRECTOR - POLISH AGENCY

Mid-size independent agency in Warsaw seeks experienced art director or copywriter to serve as Creative Director on major brewery account. *Top pay and generous fringe benefit package.* Ability to speak Polish helpful, although not essential. Fax C.V. to (48) 22-6510305 or mail to ESC, ul. Bartycka 22a, 00-716 Warszawa, Poland. All enquiries strictly confidential.

GERMAN MARKETING SERVICES MANAGER OFFSHORE FUNDS

City based **£ competitive**

Mercury Asset Management, Britain's leading independent investment house, offers a comprehensive range of offshore funds for institutional investors and independent financial advisers. We are seeking to appoint a manager to take overall responsibility for the German-language marketing support of Mercury Selected Trust, a US$1.4bn Luxembourg-based umbrella fund. It is envisaged that the successful candidate will eventually provide the first point of contact in London for senior marketing personnel based in Germany and Switzerland.

Key elements of the role will be:

- Management of German-language promotional initiatives, including advertising
- Creation of regular newsletters, product brochures, investment communications
- Responsibility for client service developments, including computer development and Internet pages
- Depending upon strengths and experience, potential responsibility for: institutional sales presentations, product development, market research

The ideal candidate will:

- Be a German native speaker or have fluent German. French would be an advantage but is not essential
- Have relevant experience either in investment or marketing services and demonstrate an interest in economic/investment issues
- Have proven creative, accurate writing skills as well as excellent interpersonal skills. The ability to work under pressure and to be a self starter is essential
- Be adaptable, enthusiastic and keen to work in a changing environment

Please send your curriculum vitae with a hand written covering letter to Elizabeth Williamson, Shepherd Little & Associates Ltd., Cleary Court, 21/23 St Swithin's Lane, London EC4N 8AD.
Telephone: 0171 626 1161 Fax: 0171 626 9400

All replies will be treated in the strictest confidence.

Mercury Asset Management plc is regulated by IMRO

INVESTOR IN PEOPLE

MERCURY ASSET MANAGEMENT
BRITAIN'S LEADING INVESTMENT HOUSE

ACCOUNTANCY APPOINTMENTS

DIRECTOR OF TECHNICAL DEVELOPMENT & PROMOTION

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

LONDON **NEGOTIABLE SIX FIGURE PACKAGE**

- The Institute wants to strengthen its contribution to the long-term value of accountancy, in order to underpin the future success of its members.
- Following the retirement of the incumbent Technical Director, a new position is being created: Director of Technical Development and Promotion. The appointee will report to the Secretary and Chief Executive and head teams totalling 30 people.
- Primary challenges will be to implement the Institute's strategy for technical excellence; position the Institute as the leading source of authority and intellectual innovation in the main branches of accountancy; ensure that activity is directed towards maintaining the relevance and excellence of the profession in support of members and that results are promoted effectively to the appropriate audiences; and take a leading role in representing the Institute externally.
- FCA, probably aged 40-55, candidates will have held a leadership role within a professional, client focussed organisation, not necessarily a firm of Chartered Accountants, and will bring an established reputation for the promotion and development of service excellence. While candidates must be technically strong, it is not essential that they currently hold a specialist technical position.
- Important personal qualities include first-class leadership and organisation skills, the ability to inspire and motivate, a high level of drive and enthusiasm, well-developed communication skills and a distinct customer service orientation. A record of successful handling of the media and public speaking will be essential.
- This is a high profile role with a clear development emphasis, offering scope to make a visible personal contribution.

Please apply in writing quoting reference 1198
with full career and salary details to:
Nigel Bates
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead

Whitehead SELECTION
A Whitehead Mann Group PLC company

FINANCIAL DIRECTOR

Midlands

The Company

Our client is a dynamic and expanding business that forms part of a highly successful group of companies. Operating within an aggressive and fast moving market place, where customer service and price competitiveness are imperative, the company continues to exceed ambitious business targets. Medium term objectives are for a stock market flotation and future global status.

The Role

- Responsible for all aspects of company finance at both operational and strategic levels. Reporting directly to the Managing Director.
- Proactive contribution to the achievement of corporate objectives in the development of both, turnover and profit through continual improved efficiencies and the organised growth of the business.
- Ensure that all key operational and strategic decisions are financially and commercially driven, thus contributing to principal corporate objectives.
- Promotion of financial and commercial awareness across all disciplines and at all levels, ensuring that a 'customer-led' focus is predominant throughout the business.

The Appointee

- The successful appointee will undoubtedly be a high achiever with excellent strategic and operationally based finance skills, coupled with first class business acumen. This will be evident from a demonstrative track record to date, gained within competitive and customer-led environments.
- Able to initiate, develop and implement own ideas with an emphasis upon efficiency, effectiveness and commercial viability.
- Must possess professional credibility in order to succeed in all aspects of professional communication, both to internal and external markets.
- Will have the ability to initiate rapid growth and change

Hays Executive
STRATEGIC SEARCH & SELECTION

To apply please write enclosing your cv and current salary details together with a covering letter detailing your relevance to this role to Allan O'Neill at Hays Executive, 188-190 Spon Street, Coventry, CV1 3BB. Fax: 01203 630962.

GROUP FINANCIAL CONTROLLER

CHANGE ROLE FOR COMMERCIAL ACCOUNTANT

MIDLANDS **c.£70,000 + BONUS + BENEFITS**

- Recent restructuring of this £900 million turnover diversified international group has resulted in a more focused portfolio of businesses which are to form the basis for ambitious expansion plans. Last two years have seen significant turnover and profits growth, with the elimination of loss making businesses and a renewed emphasis on operating margins.
- High profile role working closely with the Group Finance Director and a key member of the small senior management team that determines the shape and direction of the business.
- Strong change management focus covering review of existing corporate structure, management reporting, financial controls and systems implementation, in addition to responsibility for statutory reporting, policies and procedures, budgeting etc.
- Probably in your early-mid thirties, with a good degree and accountancy qualification. Experience will ideally include a 'Big Six' firm and exposure to a manufacturing environment – although this is not a prerequisite.
- Currently working at a senior level within the profession or in industry, must be able to demonstrate a good track record of career progression and a broad commercial outlook, as well as strong technical accounting skills and a high degree of computer literacy.
- Personal qualities should include an outgoing nature and strong communication skills. Resilient and good under pressure, with the drive and ambition to progress to a more senior level within the Group.

Please apply in writing quoting reference 1195
with full career and salary details to:
Susan Ryder
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead

Whitehead SELECTION
A Whitehead Mann Group PLC company

DIRECTOR OF FINANCE

INTERNATIONAL CLIENT SERVICE ORGANISATION

LONDON **c.£55,000 + BONUS + BENEFITS**

- Established over 200 years ago, this professional organisation has grown to 50 offices world-wide with longer term plans for wholly-owned offices in every major business centre.
- In line with the ambitious development plans, the organisation needs a high calibre Director of Finance who will both raise the quality of management information and assist with strategic development.
- The Director of Finance will work closely with the Chief Executive and provide high level support to the full management team.
- A qualified accountant, probably aged mid-30s, whose personal qualities allow him/her to function effectively in a highly decentralised environment made up of international offices from six to 110 people across a variety of national cultures.
- He/she will be a 'hands on' financial manager capable of achieving excellence by coaching and persuading rather than simply by dictating, and must therefore have particularly strong people skills.
- Subject to performance, the successful candidate can expect to be offered a seat on the board after a reasonable period.

Please apply in writing quoting reference 1197
with full career and salary details to:
Nigel Bates
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead

Whitehead SELECTION
A Whitehead Mann Group PLC company

GROUP TREASURER

With 48 commercial investors who have already committed in excess of US$1.5billion, our client is a pioneering global telecommunications enterprise. Their vision is to introduce one affordable, portable personal communication facility worldwide. The company has already invested heavily to make their goal a reality. They now require a senior treasury professional to play a leading role in future funding initiatives.

The Position

- Report to the CFO and lead the development of a strategic and operational treasury function.
- Instigate further financing initiatives for the group involving complex structured transactions.
- Interface regularly with commercial investors and the banking community as part of the capital raising process.
- Conduct day-to-day treasury operations including cash management and projections, currency and interest rate exposures.
- Provide broader financial and strategic input into the development of this pioneering venture.

The Requirements

- Graduate ACT, ACA desirable, with significant international treasury experience with aspirations for a broader senior management role in the medium term.
- Proven track record of negotiating complex structured finance transactions.
- Energetic, self-motivated individual with a 'hands on' pragmatic approach to work.
- Ability to create an immediate personal impact through first class presentation and interpersonal skills, the successful candidate will demonstrate a strong problem-solving and enquiring mind.
- International in orientation, preferably with a second language.

Relocation assistance available.

Please send your CV with current salary details to: Fiona Jobson, **K/F Associates**, 252 Regent Street, London W1R 6HL, **quoting ref: 90081/A.** Alternatively send by fax on 0171 312 0020 or e-mail to cv@kfaeurope.com

Internet Home Page: http://www.kfaeurope.com/kfaeurope/

K/F ASSOCIATES
KORN/FERRY CARRÉ/ORBAN INTERNATIONAL

Hardy Oil & Gas plc

Excellent package *London*

Group Treasurer

Hardy Oil & Gas is one of the UK's leading independent exploration and production companies with a market capitalisation of more than £250 million and operations on three continents. The last year has seen a significant reshaping of its asset portfolio and balance sheet. A Treasurer is now sought to join the focused and dynamic new management team that is revitalising and growing this international oil and gas Group.

THE ROLE

- Working closely with the Group Finance Director as an integral part of a small head office team. Responsible for building a proactive treasury function capable of supporting a full range of corporate development activities.
- Take the lead in funding a series of substantial capital projects and in all major re-financings.
- Key communications role with principal banks and institutions. Specific responsibility for debt funding, foreign exchange, cash management and insurance.

THE QUALIFICATIONS

- Ambitious, bright graduate MCT with public debt market experience ideally gained in an international group with a significant capital investment programme.
- Innovative but pragmatic with the confidence and communication skills to build close and productive relationships with a broad range of commercial banks. Sound understanding of debt financing.
- Energetic and enthusiastic with the ability to respond quickly, often under considerable pressure. Committed hands-on style. Attracted by the opportunity to work in a high quality, meritocratic team environment.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. Y21070, Adlington Court, Greencourts Business Park, Styal Road, Manchester M22 5LG

صكرا من الاهل

هكذا من الأصل

CHIEF INFORMATION OFFICER (CIO)

A leading Commercial Bank in the Sultanate of Oman requires a Chief Information Officer.

FUNCTIONS

Responsible for all Information Technology (IT) related functions in the Bank including:

Computer Department, O&M Department, MIS, Business Process Reengineering, End user Training

The position is a senior management position, reflecting the core competence of the IT function in the Bank. The CIO should provide vision and leadership of the IT function as the key enabler of the bank's business and its future direction, as well as contribute in the development and delivery of the products and services offered.

PROFILE

The CIO should be an expert in at least one of the following three areas, with good exposure in the other two: Banking, InformationTechnology, Strategic Planning and Change Agent. He should currently be holding a senior managerial position.

Please apply, enclosing your CV, to:

P.O. Box 1611, Ruwi
Postal Code 112
Sultanate of Oman

NETHOLD supersport MULTICHOICE KALEIDOSCOPE FILMNET

Nethold is a leading, international pay-television group active in more than 50 countries in Europe, Africa and the Middle East. Nethold serves more than 2.7 million premium subscribers. This industry is characterised by rapid expansion, expectations of a significant role for electronic media platforms in the future world economy, globalisation and high values for leading operators. Nethold was the first company to launch digital television in Europe and Africa and has a mission to become a worldwide market leader. An opportunity now exists for a highly motivated, creative professional with the following skills:

Financial Controller

Amsterdam **...media opportunity...** **Excellent Salary Package**

Responsibilities and tasks:

- In charge of reporting financials to management and shareholders on a monthly, quarterly and annual basis.
- Co-ordinating the Group consolidation of actual results, budgets and quarterly forecasts.
- Ad-hoc tasks such as participating in due diligence processes.
- Managing a small qualified team.
- Bringing structure to a fast moving/growing environment.
- Quickly assessing and understanding the key issues critical to the operations in all regions of the company's activities.
- Understanding and interpreting trends and issues and analysing the sensitivities and quality of the information.
- Establishing and maintaining good relationships with local controllers and management.

Profile of the suitable candidate:

- Preferably a qualified accountant, with five years or more working experience which may have been gained in a media or consultancy environment.
- Must be totally fluent in English or a native speaker.
- Excellent interpersonal skills and an outgoing personality.
- Must be flexible and enjoy working in a changing, dynamic environment.
- Stress resistant, with the energy, stamina and lifestyle to cope with sustained pressure and stay calm in a crisis.
- Must be interested in people and able to motivate them to give information.
- Should be an individual who enjoys continually stretching their ability.
- Possessing charisma, liveliness and a sense of fun.
- Creative and enthusiastic with an empathy for the media environment.

If you are ready for this challenging position, then send a detailed curriculum vitae to Caroline Stockdale ACA at Michael Page, Apollo House, Gerrit van der Veenstraat 9, 1077 DM Amsterdam, the Netherlands, quoting reference CS/44215. Alternatively, telephone her on 00 31 205789444.

MP
Michael Page International
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Sydney

FINANCIAL CONTROLLER

c£50,000 plus bonus and benefits

A leading US Investment Bank is expanding its operations in London to include a full range of trading and sales services in European Emerging Markets, Corporate Finance and Fixed Income securities. These operations will complement its current and highly successful operations in institutional sales and trading of international Equities:

The Role

- Responsible for providing financial control and management reporting focusing on the trading operations of the firm to ensure adherence to corporate accounting policies and procedures
- Supervision and leadership of a highly commited accounting team responsible for all corporate, tax and regulatory accounting
- Responsible for review of daily P&L and risk management information to ensure adherence to corporate accounting and trading policies
- Extensive liaison with Head Office departmental and corporate accounting managers and staff to ensure timely and accurate financial and management reporting

The Candidate

- Chartered Accountant with at least 5 years experience in a leading accounting firm, investment bank or securities brokerage firm with exposure to accounting and risk management
- Experienced in all aspects of financial, regulatory (SFA preferred) and management accounting
- Proven success in developing and improvement of sound financial controls and management information
- Good knowledge of PC based accounting systems and integration with spreadsheets and/or databases to generate quality management accounts

The position reports to the Finance Director and is an exciting opportunity for a career minded accountant to join a dynamic and highly regarded institution.

Please send CV, quoting reference 96/426, to: **David Williams.**

Williams Wingfield Ltd, 124 Middlesex Street, London E1 7HY
Tel: 0171-247 2777 Fax: 0171-247 5444

Williams Wingfield

PROJECT FINANCE – PLC

SOUTH EAST **ATTRACTIVE PACKAGE**

THE CLIENT

A well established construction group with a management philosophy of working in partnership with clients and operating to the highest standards. The group is in a strong position to participate in investment and operation of major infrastructure projects.

THE ROLE

The Project Finance Executive will be the primary source of advice to the Finance and Corporate Development functions on financial risks for a wide variety of projects and business ventures. Specific responsibilities include:

- assessment of new business opportunities and appropriate financial structures, analysis of project and credit risks;
- evaluation of sources of finance, development of banking relationships, and negotiation of lending terms and conditions;
- preparation of financial documentation necessary to support investment proposals and bids for contracts.

THE CANDIDATE

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FINANCIAL TIMES
COMPANIES & MARKETS
Friday August 2 1996

IN BRIEF

Media groups to redefine alliance

Bertelsmann, the German media and entertainments conglomerate, and Canal Plus, the French commercial television channel, are seeking to redefine their alliance after the launch this week of DF1, the digital television channel owned by the Kirch group and Mr Rupert Murdoch's BSkyB. Page 15

Shanghai International falls further
Shares in Shanghai International (HK), the Hong Kong listed arm of China's biggest securities company, fell further after the company said it had scrapped plans to buy Sun Hung Kai Securities, one of the territory's oldest brokerages. Page 14

Bangkok markets rebound

Speculation that a rescue fund worth Bt20bn ($790m) might be set up broke a five-session losing streak for Bangkok. The SET index rebounded by 3.25 per cent after a 33-month low, and an 18.2 per cent drop since July 4. The key index closed 34.56 higher at 1,098.60 in turnover of Bt6.6bn. After hours, a senior broker confirmed that Thai mutual funds and local finance companies had agreed in principle to set up a support fund. Financials and securities stocks, which had underperformed a little during the July setback, recovered 3.4 per cent, slightly above average. Thai Danu Bank came back from a three-day suspension, having announced an equity funding plan on Wednesday, and the shares rose Bt9 to Bt136. Page 30

Olivetti chief sees deeper alliances
Mr Francesco Caio, Olivetti's new chief executive said the trend in the information technology sector is increasingly towards deeper partnerships and alliances. Page 15

Portugal Telecom primes stake sale
Portugal Telecom, the part-privatised Portuguese operator, has started a process that could lead to the sale of a stake to a large telecoms company such as Stet of Italy or Deutsche Telekom. It appointed Deutsche Morgan Grenfell, the investment banking subsidiary of Deutsche Bank, and Arthur D. Little, the telecoms industry consultant, to advise on alliances and other elements of its strategy. Page 15

Sainsbury takes full control of Homebase
J. Sainsbury, the UK supermarket group, is to take full control of its Homebase DIY subsidiary by buying 25 per cent of the unit from GIB, Belgian's biggest retailer, for £77.5m ($119m). The deal involves a cash outlay of £65m and the repayment of a £12.5m shareholder loan from GIB to Homebase. The seller paid £250,000 for its stake when Homebase was set up in 1979. Page 16

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Holzmann	365	+	7
[illegible]	538	+	9
SAP AG	221	+	7.2
Thyssen	267.3	+	4.8
Volkswagen	506	+	8
Falls			
[illegible]	202	-	5
NEW YORK ($)			
Rises			
Ethan Allen	25¾	+	3⅝
Fila	55¼	+	7⅛
[illegible]	76⅝	+	3⅝
Falls			
Lab Corp Amer	4⅜	-	2
[illegible]	2¾	-	1⅛
[illegible]	21⅛	-	1⅛
LONDON (Pence)			
Rises			
Bakyrchik	265	+	21
[illegible]	38	+	7
[illegible]	315	+	27
Trafficmaster	253	+	34
Vosper	280	+	45
Falls			
Cooper (F)	34	-	8
TORONTO (C$)			
Rises			
[illegible]	8.25	+	2.5
[illegible]	12.3	+	1.2
Falls			
[illegible]	36	-	4
[illegible]	5.2	-	0.56
[illegible]	4.2	-	0.55
[illegible]	28.05	-	1.95
PARIS (FFr)			
Rises			
[illegible]	735	+	25
[illegible]	548	+	14
[illegible]	465	+	12.5
Schneider	235	+	8.5
UFB Locabail	462.9	+	27.9
Falls			
[illegible]	3320	-	180
TOKYO (Yen)			
Rises			
Asahi Chem	554	+	34
Hazama Corp	437	+	27
[illegible]	6690	+	230
[illegible]	993	+	49
Tokyo Style	1890	+	90
Tokyo Car	536	+	38
HONG KONG (HK$)			
Rises			
[illegible]	0.2	+	0.4
[illegible]	13.5	+	0.5
[illegible]	0.65	+	0.4
Falls			
Founder (HK)	2.225	-	0.275
Laws Hldgs	2.675	-	0.15
[illegible]	1.82	-	0.16
BANGKOK (Baht)			
Rises			
Ayudhya Ins	139	+	11
[illegible]	102	+	8
[illegible]	163	+	15
[illegible]	102	+	12
Falls			
B Grimm Eng	21.75	-	2.25
Royal Ceramic	22	-	2.25

New York and Toronto prices at 12.30.

Shell seeks alliance to lift chemicals

By Jenny Luesby and Patrick Harverson in London

Royal Dutch/Shell yesterday said it hoped to agree within nine months a polyester alliance that would lift its underperforming chemicals business, as it reported disappointing second-quarter results depressed by the downturn in chemicals.

The group's three-month profits of £1.18bn ($1.84bn), on a replacement cost of supplies basis, were down 8 per cent from £1.28bn last time, and fell short of analysts' forecasts of about £1.3bn.

The group blamed the second-quarter decline on sharply lower earnings from the chemicals businesses, which fell to £184m from £398m.

"At this stage in the cycle, chemicals is clearly struggling," said Mr John Jennings, chairman. In addition, the negative impact of currency movements cost the group a further £60m, he said.

These setbacks offset gains from higher oil prices and improved profits from exploration, production, refining and marketing, which were achieved in spite of intense competition in pump prices in the UK.

Nonetheless, second quarter sales rose 13 per cent to £27.4bn, and the decline in second-quarter margins followed a record-breaking first-quarter performance, leaving the group's half-year profits up 15 per cent at £2.93bn.

In spite of this rise, the group failed to meet its targets for return on capital employed in all but one of its businesses in the year to the second quarter, it said. In chemicals, a 12-month return of 7.6 per cent compared with a long-term target of 10 per cent. However, the group was taking steps to improve this performance.

Mr Henk Nijeboer, head of finance in the chemicals business, said the action would include a number of alliances, notably in polyester.

The precipitous fall in polyester prices was the main reason for the decline in ICI's profits last week. It has also affected Shell, which is a big producer of PET, the polyester plastic that is used to make bottles.

In Europe, Shell has 13.7 per cent of the PET market. However, unlike ICI, it does not make PTA, the raw material for PET, which is also suffering.

It is now in talks with a PTA producer with a view to forming an alliance.

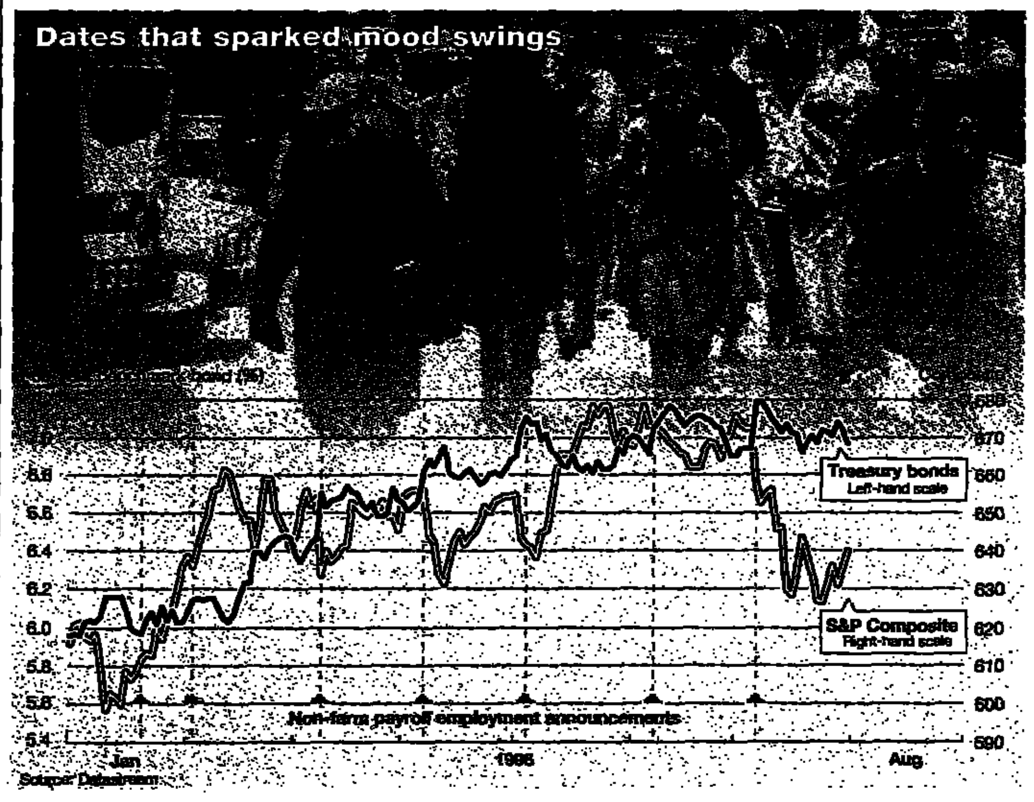
This link would help the group cut costs through integrating its production, said Mr Nijeboer, who suggested that Shell was hoping to clinch a deal within the next nine months.

He would not say who the company was talking to but possible candidates include Amoco, the world's largest producer of PTA, as well as ICI or Hoechst.

Shell shares closed down 11½p at 911½p.

Lex, Page 12; Weak chemicals, Page 16

US payroll figures, due today, will be scrutinised



Magic numbers that can set markets alight

Another Friday; another anxious wait for world financial markets. The US non-farm payroll figures will be published today, with potentially dramatic effects on equity and bond prices.

In March, a 705,000 increase in the payroll convinced investors that the US economy was growing strongly. The data raised doubts that the Federal Reserve would cut interest rates further, prompting the long Treasury bond to fall three points and the Dow Jones Industrial Average to drop 171 points on the day.

Then, last month, a 239,000 increase in employment – much greater than the markets expected – sent the Dow tumbling nearly 115 points and the 30-year Treasury bond down two points, as investors speculated that the Fed would act to raise rates. World financial markets, influenced by the prospects for US interest rates, fell in response.

So what makes the non-farm payroll such an important statistic? According to Mr Michael Hughes, global strategist at Barclays de Zoete Wedd, "non-farm payroll numbers have a reasonable correlation with gross domestic product growth. There is a rule of thumb that a rise of 200,000 a month equates to 3 per cent GDP growth. So a rise of 365,000 in May and 239,000 in June points to a very strong economy." Yesterday's announcement of a 4.2 per cent annualised rise in second-quarter GDP bears out his point.

With unemployment at 5.3 per cent, its lowest level since the peak of the last cycle in 1990, the US economy may be close to its effective capacity. Any further rise in employment may create bottlenecks in the labour market and lead to inflationary pressures. That might force the Fed to raise rates substantially.

Furthermore, Mr Keith Skeoch, chief economist at HSBC James Capel, points out that the payroll data "comes early in the month and is one of the first indications of the likely strength or weakness of the economy". Yesterday's purchasing management survey pointed to a slowing in the growth rate but with the Fed's open-market committee (the forum that decides interest rate policy) due to meet on August 20, today's data could decide whether rates will rise this month.

Investors' obsession with the payroll data is recent. Back in the early 1980s, it was the weekly US M1 money supply number that caused markets to move sharply; nowadays the figures pass without notice. In the mid-to-late 1980s, attention shifted to the US budget and trade figures at a time when the "twin deficits" were seen as holding down the dollar.

In part, this shift in emphasis reflects the changes of focus at the Federal Reserve. If the Fed is watching monetary data closely, as it was under former chairman Mr Paul Volcker, then it makes sense for the market to use money supply figures as the best indicator of likely interest rate policy. In Germany, M3 money supply figures are still seen as an important guide to the Bundesbank's stance on rates.

Much may also depend on the stage of the economic cycle. When an economy has been growing for some time, investors and central bankers will be concerned about inflationary indicators; an economy in recession will prompt a focus on growth.

Excessive attention on any particular economic measure can increase market volatility, especially when, as with the non-farm payroll data, the figure appears to be both highly erratic and prone to significant revision.

Markets are nervous at the moment because the long bull market in US equities has appeared to run out of steam in recent weeks. That bull market has partly been fuelled by low interest rates and a sense that the inflationary problems of the 1970s and early 1980s are unlikely to return. A brief flare-up of inflationary concerns in early 1994, when the Fed started the last cycle of rate rises, caused turmoil in world markets; investors are anxious not to see a repeat.

So, with their customary indifference to the concerns of people in the real economy, the markets will be hoping relatively few US citizens found jobs last month. The consensus forecast for the data is around 180,000-200,000; a figure wildly divergent from that will set the markets alight.

Philip Coggan

PVC price slump takes the shine off EVC results

By Jenny Luesby in London

EVC, Europe's largest producer of PVC, yesterday said the value added in producing the plastic, used mainly in construction, had hit a 10-year low in the first half, leading to a sharp reversal in the company's results.

Mr Ettore dell'Isola, chairman and chief executive, said he could not recall a time when the differential between input prices and output prices in the PVC industry had been as low.

As a result, the company announced a pre-tax loss of Fl 4.9m ($3m), compared with a profit of Fl 161.1m in the first six months of last year, on sales down 30 per cent at Fl 1.02bn.

Three-quarters of the sales decline came in the group's PVC business, where falling prices cut sales by 32 per cent, and declining demand by a further 6 per cent.

European PVC capacity was now running more than 15 per cent ahead of demand, the company said. The imbalance had put regional PVC prices under pressure. This had been exacerbated by price falls in Asia, the plastic's main export market.

Commenting on the weakness of European demand, Mr dell'Isola said government efforts to meet Maastricht targets had seen public works programmes pared back. This had a direct impact on PVC sales, he said.

The company expected little improvement in the second half. However, it was hopeful that signs of recovery in the UK might mark the beginning of a wider European recovery, which would lift PVC demand and prices next year.

The group also announced that it had re-acquired an ICI plant in Runcorn, Cheshire, which produces VCM, the raw material for PVC, for £1. The purchase was the first step in a £60m investment programme, aimed at cutting costs. ICI bought the plant from EVC, also for £1, following EVC's decision to close it. ICI wanted to maintain minimal output to produce a by-product needed elsewhere.

EVC said it had now decided to revamp and expand the plant to produce 300,000 tonnes a year of VCM, compared with 180,000 tonnes today. However, there would be no net increase in the amount of VCM it produced following the Runcorn expansion. It had decided to close its Hill House plant, which employs 90.

Hill House had been more efficient than Runcorn, but ICI's withdrawal from the Hill House site, which involved the closure of energy and steam generation facilities, had increased its costs.

EVC also planned to close a plant in Sardinia. The concentration of production would considerably reduce costs, it said.

The company also announced several other moves to cut costs. It had undertaken a refinancing programme, which had seen a new Fl 350m multi-currency credit facility agreed in June, with an average maturity of six years. In the past 10 days it had also agreed a £60m private placement in the US.

At the same time, it had repurchased 2 per cent of its shares. It had authority to repurchase a further 3 per cent, but expected to move more slowly on this, said Mr dell'Isola.

The company also announced its intention to dispose of its flexible films business.

France to sell CIC to single purchaser

By Andrew Jack in Paris

The French government yesterday formally launched the sale of Compagnie Financière du CIC, the country's second-largest state-controlled bank after Crédit Lyonnais.

Under the privatisation decree, GAN, the state-owned insurance group, will sell off 67 per cent of the shares and voting rights.

The sell-off, likely to be completed by the end of the year, will be a trade sale to a single buyer rather than a public offering, and will be conditional on the purchaser agreeing to a number of conditions.

The announcement ends speculation over the bank's future. Late last year, Mr Jean-Jacques Bonnaud, GAN chairman, said a stake in CIC would be sold to help support the lossmaking insurer's needs for funds. The proceeds should bring it back to break-even after losses of FFr1.8bn ($360m) in 1995.

A number of analysts suspect it will be difficult to sell the group as most of its activities are in the depressed domestic French banking market. However, one participant in the negotiations said yesterday that the privatisation process was under way because about eight potential buyers were seriously interested.

CIC is the holding company for a group of 12 regional French banks, and also has controlling stakes in specialist financial institutions. It reported profits last year of FFr625m, and the value of the group has been put at FFr13bn-FFr14bn.

The conditions for a purchaser of CIC are expected to include a requirement to maintain its identity, not dismantle the group and to ensure that GAN can maintain the exclusive right to sell its life insurance products through the network – which generated FFr8.6bn for the insurer last year.

Mr Bonnaud had originally hoped to retain a majority of CIC's shares or at least a third of the shares as a blocking minority, but the sale will leave GAN with only 26 per cent of the votes.

However, the purchaser is likely to be asked to sign a formal pact obliging it to seek GAN's approval for fundamental changes in policy.

J.P. Morgan, the US investment bank, is acting as adviser on the CIC sale for GAN, and Warburg on behalf of the French government.

Silicon Graphics chief quits for big challenge in smaller group

By Tom Foremski in San Francisco and Our Financial Staff in London

The president and chief operating officer of Silicon Graphics, the US computer workstation manufacturer, is leaving after 10 years with the company.

Mr Tom Jermoluk said he was leaving Silicon Graphics because it had grown too large and he preferred the challenge of helping a small company grow.

Mr Edward McCracken, chief executive, is to assume Mr Jermoluk's duties. The announcement came as the company released better-than-expected fourth-quarter results.

Silicon Graphics has maintained a stable workforce in an industry where annual turnover of 30 per cent is common. However, recently the company has lost hundreds of engineers, and some executives, to small start-up companies.

Mr Jermoluk is taking up a similar position with @Home, which is developing a system to offer consumers fast access to the Internet through cable modems.

The fourth-quarter announcement was made late on Wednesday after the close of US stock markets. A $102m charge connected with the purchase of Cray Research, the supercomputer maker, resulted in Silicon reporting a loss of $45.7m, compared with a profit of $52.7m a year ago when there was a $22m merger-related charge. Stripping out the charge, it made a profit of $81m in the latest quarter.

Sales in the quarter were $836m, up 26 per cent on the corresponding period last year.

For the full year, the company made a net profit of $244.89m, compared with $224.86m a year earlier, on revenues of $2.77bn against $2.23bn. Earnings per share rose from $1.28 to $1.39.

Mr McCracken said the increase in sales was helped by the introduction of a family of workstations based on a high-performance 64-bit microprocessor. He said the company was able to meet the challenge of falling prices for computer workstations.

"Our solid momentum in core markets and accelerating growth in emerging markets, like the Internet, position us to take full advantage of the opportunities ahead," he said.

Mr Robert Saltmarsh, Silicon Graphics' vice-president of finance, said fiscal 1997 sales and profits would grow about 26 per cent.

NEWS DIGEST

James Hardie sees no improvement

James Hardie, the Australian building materials group, yesterday warned it would probably see no improvement in profits in the current financial year to end-March. The warning follows a sharp fall in the 1995-96 results against the previous 12 months.

At the annual meeting, Mr Alan McGregor, chairman, remained upbeat about the company's fibre cement business in the US. Noting the current expansion of capacity, he said that the group expected "continued strong growth in fibre cement side with sales up 60 per cent on the past financial year".

But he warned that group profits overall would be "severely affected" by the depressed housing market in Australia. After the 30 per cent decline last year, he said that a further 10 per cent fall was expected this year.

"With home building continuing to fall, James Hardie's operating profit for the current year is not likely to improve on the result for the year to March 1996." In that period, Hardie made A$32.2m (US$14.9m) after tax, down from A$74.6m in the previous 12 months. *Nikki Tait, Sydney*

Brazilian brewer in ADR issue

Cervejaria Brahma, Brazil's biggest brewery, yesterday launched a Level 1 American Depositary Receipt (ADR) programme. Each ADR represents 20 of Brahma's preferential shares. The programme involves no new share issue, as Level 1 ADRs represent shares already issued in the home country.

Brahma said the issue was designed to increase liquidity in Brahma's shares by making them available to new investors.

"There are many mutual funds in the US that are prohibited from investing directly in Brazil," it said. "The programme will enable us to increase our shareholder base." The ADRs were available to investors yesterday, although the company said it was too early to judge the market's initial response.

The issuing bank in the US is the Bank of New York; custody in Brazil will be held by Banco Itaú, Brazil's second-biggest private sector bank. *Jonathan Wheatley, São Paulo*

Thai oil and gas reserves up

Successful exploration programmes in the Thai-Malaysian Joint Development Area, an offshore petroleum site located in the Gulf of Thailand, have pushed up by 42.1 per cent the probable natural gas reserves held by PTTE&P, the exploration and production subsidiary of the state-owned Petroleum Authority of Thailand, and probable oil reserves by 14.5 per cent in the past six months.

The company's proven reserves remain steady at some 3,000bn cu ft of natural gas and 50.6m barrels, in spite of production of 30.4bn cu ft of gas and 1.5m barrels since the beginning of the year. *Ted Bardacke, Bangkok*

Coal & Allied in red at midway

Coal & Allied Industries, the Australian coal mining group which is controlled by RTZ-CRA, the Anglo-Australian resources company, announced yesterday it incurred a A$4.6m (US$3.6m) loss after tax in the six months ended June 30. This compared with a profit of A$14.7m in the first half of 1995.

The company said that production for the six months was 3.9m tonnes – well down on the 4.8m tonnes seen a year ago – although sales were slightly higher at A$275.8m against A$250.7m. It added that any improvement in the second half would depend on an increase in production at its Hunter Valley and Mount Thorley mines. *Nikki Tait*

Chinese securities house scraps planned HK buy

By Louise Lucas in Hong Kong

Shares in Shanghai International (HK), the Hong Kong listed arm of China's biggest securities company, fell further yesterday after the company said it had scrapped plans to buy Sun Hung Kai Securities, one of the territory's oldest brokerages.

Talks were temporarily broken off last week as Shenyin & Wanguo, Shanghai International's indirect controlling shareholder, sought regulatory approval from Beijing. Hong Kong brokers said the company, in an attempt to avoid red tape, may have hoped to present Beijing with a fait accompli on the deal.

But in a statement published yesterday the company said: "After having reviewed the situation, the board believes that it is in the interests of the company to terminate negotiations on the proposed acquisition."

Shares in Shanghai International, which have been losing value since the talks were suspended last Friday, yesterday shed a further 2.86 per cent to 68 cents. Sun Hung Kai & Co, the listed company which own Sun Hung Kai Securities, saw its share price unchanged at HK$2.525. Yesterday the financial services company also announced the resignation of Mr Yip Lai-shing, executive director and founding member.

The planned takeover would have seen a mainland entity take control of one of the territory's biggest local brokerages, albeit one facing increasing international competition.

However, brokers do not view Beijing's refusal to sanction the takeover as a signal that mainland Chinese business expansion in Hong Kong is slowing.

Many believe Beijing may simply be exercising prudence in blocking the deal – believing that Chinese brokerages, fresh from debacles at home, may not be ready to tackle the Hong Kong market with its sophisticated range of derivatives tools – and suggest the deal may go through in future.

Sun Hung Kai & Co. is likely to remain in the spotlight following the failed deal. It has already acquired a new controlling shareholder, the Allied Group, which in May took a 33 per cent stake for HK$743m (US$96m). The Allied Group, whose interests span finance, property and manufacturing, was the subject of a long regulatory investigation in 1993, and while its chairman, Mr Lee Ming-tee, has since resigned his family remains the biggest shareholder.

Other possible buyers include Asian securities houses looking to capitalise on the established name and client base, or possibly a property developer. Among the names being mentioned is Henderson Land Development whose founder, Mr Lee Shau-kee, co-founded the company from which Sun Hung Kai & Co emerged. Analysts estimate the cost of the securities house at about HK$400m-HK$500m.

Western Atlas finds a niche as a global force

With the enthusiastic Alton Bran at the helm, the Litton spin-off has gone from strength to strength

A self-confessed technology enthusiast, Mr Alton Brann used to spend his time working on ballistic missile guidance systems and "Star Wars" space weaponry. He now has a more down-to-earth role, concerned with subterranean seismic analysis for oil and gas companies, and automated production equipment for the world car industry.

Mr Brann, formerly chairman and chief executive officer of Litton Industries, the US defence equipment company, now has the same title at Western Atlas, the California-based oil services and automation business which was once part of Litton. It was spun off from its parent in 1994 as part of the vogue towards "corporate unbundling".

Mr Brann, who joined Litton as an engineer in 1973, decided to leave the bigger company for the offshoot – which is separately quoted on the New York Stock Exchange – because "it was more of a challenge".

Two years on, he has no regrets. Western Atlas, he says, "is firing on eight cylinders", with earnings per share having risen about 15 per cent a year since the demerger.

Net earnings for the six months to June 30 were $52.5m, up 20.6 per cent on the $43.5m in the equivalent period last year.

Of Western Atlas's $2.2bn sales last year, just over half were from outside North America, where it operates in some 70 countries.

The mathematics-trained Mr Brann – who while at Litton and in earlier jobs worked on a succession of missile projects including Polaris and Trident – says the "unbundling" has permitted Western Atlas to focus on its two most important business areas. However, he cheerfully confesses there are "no synergies" between them.

About 55 per cent of its revenues come from oil services – including seismic analysis, where it claims to be the world's biggest company, ahead of rivals such as Schlumberger, and accounting for about 30 per cent of the $2.6bn-a-year global market.

Seismic analysis is used by energy companies to look for geological features in the earth's crust which can indicate oil or gas deposits.

The work requires heavy investment, both in equipment and technology. Western Atlas spends some $200m a year on new capital equipment in this part of its business, including continual updating of its fleet of 16 seismic-monitoring ships, which can carry out detailed analysis of areas such as the North Sea and Gulf of Mexico.

Between 5 per cent and 10 per cent of turnover in the oil services part of the company is ploughed into research and development, including heavy spending on new sensors needed to discover tiny fissures in the earth's crust that can indicate new deposits, and on the computer techniques required to unscramble the masses of data from the sensors.

Western Atlas is also investing in a new technology called "ocean bottom cabling", in which rather than using ships, suboceanic regions are surveyed remotely by sensors spread out along the sea surface – a particularly useful technique in congested areas where use of surface vessels is limited by shipping lanes or oil rigs.

Mr Brann says the high spending is necessary to keep ahead of competitors, and makes sense in an area where market demand is growing at 10 per cent a year, with customers seeking continual improvements in survey accuracy and speed.

Alton Brann: left Litton to head Western Atlas because 'it was more of a challenge' *Lydia van der Meer*

Of the 45 per cent of Western Atlas's revenues coming from automation, about one-third comes from "automatic data capture", in which the company offers services in areas such as keeping track of parts consignments and storage in warehouses and factories, through use of computers and bar-code labels. The remainder comes from making complex "transfer line" machining systems, mainly for the world's automotive industry.

In both these sectors the company is a world leader. It is among the top three (behind the US companies Siebel and Telxon) in data capture systems, and holds a similar position in transfer lines, where it has production sites in the US, the UK and Germany.

The machining operations associated with these lines, which can cost up to $300m a system, make Western Atlas the second-biggest machine-tool company in the US, after Wisconsin-based Giddings & Lewis.

In materials handling, Mr Brann is in the fortunate position of having an order backlog (which should be met over the next 18 months to two years) of some $500m, a result of big planned investments by automotive customers around the world.

Some 80 per cent of orders come from North America, but there are large contracts from China and Russia.

Although the automotive industry is notoriously cyclical, Mr Brann says the immediate prospects for this part of his business are promising. "Things are looking good in 1996 and 1997," he says.

As for technology, Mr Brann has lost little of his enthusiasm. On a recent trip to Europe, he was keen to try out the latest seismic sensors on a North Sea cruise around the Shetlands, aboard the *Monarch* – one of Western Atlas's latest survey vessels.

Peter Marsh

Mexico group opens LPG site in Peru

By Sally Bowen in Lima

Miguel Zaragoza, the privately-owned Mexican group, yesterday unveiled a $47m reception, storage and distribution plant for liquefied petroleum gas near Lima's port of Callao. Zeta Gas Andino, as the Lima-based company is to be known, is the 50-year-old Mexican group's first venture into South America.

In its first phase of operations, Zeta will import LPG from Pemex, the large Mexican state-owned petroleum group. But with prospects for development of Peru's large Camisea natural gas fields by a Shell/Mobil consortium looking increasingly likely, Zeta may be transformed into pre-export storage for Camisea LPG.

Zeta's high-tech plant comprises six spherical "pressure vessels" with combined capacity to store 12,000 tonnes of butane and propane. This represents a 120 per cent increase in national capacity for LPG storage, and the first challenge to the long-standing monopoly of state-owned Petroperu, which is in the process of being privatised.

Mr Alfredo Gonzalez, Zeta chief executive for Peru and South America, said the Zaragoza investment had originally been intended for Argentina. But a combination of factors – including political and social stability, sweeping deregulation, high GDP growth, a strategic geographical position and the prospect of Camisea – had attracted the Mexican group to Peru.

The company expansion plan envisages investment of another $50m in Peru over the next five years. This may include distributing LPGs by road and rail tankers to Peru's provinces. Zeta is also looking at another South American venture.

The investment underlines the opportunities for swift expansion of the Peruvian domestic market for LPG. Current annual consumption is a low 4kg a head – most lower income Peruvians use kerosene for cooking – compared with 80kg in Mexico.

America Online set for NYSE

By Lisa Bransten in New York

America Online, the fastest growing online information service for personal computer users in the US, is planning to move its listing from the automated Nasdaq stock market to the New York Stock Exchange.

The move comes at a time of high volatility among some Nasdaq stocks, including America Online, and the company said that avoiding such volatility was among its motives for making the move.

Other considerations included access to information about who is buying and selling America Online shares and the global exposure the NYSE could offer.

Since early May, America Online shares have fallen from $71 to $31⅞ at midday yesterday, and have sometimes dropped more than $7 in one day. In the early part of this year, however, America Online experienced sharp upward swings.

Mr Marc Beauchamp, a spokesman for Nasdaq, said that trading information was readily available to Nasdaq companies.

"We hate to see them go," he said, but he added that the number of companies moving from the Nasdaq to the NYSE this year remained in line with historical levels of about 1 per cent.

The NYSE said that in the first six months of this year 32 companies had moved to the "big board" from the Nasdaq, slightly ahead of last year's record-breaking pace.

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COMPANIES AND FINANCE: EUROPE

Canal Plus seeks to clarify German link

By Judy Dempsey in Bonn

Bertelsmann, the German media and entertainments conglomerate, and Canal Plus, the French commercial television channel, are seeking to redefine their alliance after the launch last Sunday of DF1, the digital television channel owned by the Kirch group and Mr Rupert Murdoch's BSkyB.

The alliance, which centres on Premiere, Germany's pay-TV channel, owned by Bertelsmann, Canal Plus and Kirch, has come under strain as Bertelsmann rethinks its strategy in free television and pay-TV. Mr Michael Dornemann, the Bertelsmann board member responsible for its television division, was in Paris this week for talks with with Canal Plus.

"We want to know where we stand with Bertelsmann," Canal Plus said yesterday. "It is no longer clear in which direction Bertelsmann is going. Is it going to concentrate on free television or pay-TV? We want to know what exactly it will mean for us." Bertelsmann said that the talks were "constructive".

The nub of the problem is the structure of Bertelsmann's TV holdings. It is the majority shareholder of RTL, Germany's most successful commercial (free) television channel. RTL this week paid DM2.3bn ($1.56bn) for the German language rights to a package of films from MCA, the US entertainment and film group, confirming the commitment by its shareholders to remaining the most important competitor in German free TV.

Bertelsmann says it is still committed to launching its own digital television platform this year, along with Canal Plus, ARD and ZDF, Germany's two state TV channels, and Deutsche Telekom, the state-owned telecommunications operator. However, the decoder, which allows viewers to unscramble satellite signals, will be able to receive programmes from both Bertelsmann and Kirch.

To produce more programmes and purchase collectively, Bertelsmann recently forged an alliance between Ufa, its television division, and Compagnie Luxembourgeoise de Télédiffusion, which has a stake in RTL. The new group will broadcast by satellite and is aiming to have its own digital TV network.

It is the nature of that alliance, which will be in direct competition with Canal Plus, and the future of Premiere, which has destabilised relations between Bertelsmann and Canal Plus.

Bertelsmann has been criticised by Canal Plus for failing to consult the French broadcasting group on the details of the Ufa-CLT deal; the agreement last week to have a common decoder with Kirch; and how Premiere will operate now that Bertelsmann, Canal Plus and Kirch have agreed to reduce their stakes to make way for BSkyB.

Olivetti stresses partnership in IT sector

By Andrew Hill in Milan

The trend in the information technology sector is increasingly towards closer partnerships and alliances, according to Mr Francesco Caio, the new chief executive of Olivetti, the Italian computer group.

In an interview yesterday, Mr Caio, who was appointed chief executive last month, said he had learned the value of partnership in his previous role as chief executive of Omnitel Pronto Italia, the mobile telephone operator in which Olivetti has a 41 per cent stake alongside Italian and foreign investors.

"The Omnitel experience reminded us how important it is to work with partners, and in information technology that will become more and more the trend," he said. He declined to comment on speculation that Olivetti might seek alliances with other groups.

Mr Caio also sought to reassure clients and the market that his telecoms background, and Olivetti's move to become a broadly-based IT and telecoms group, would not lead to the abandonment of the core computer systems and services business. "We will become more and more of a telecoms operator, but we will not forget the competence and the technological platform provided by systems and services," he said.

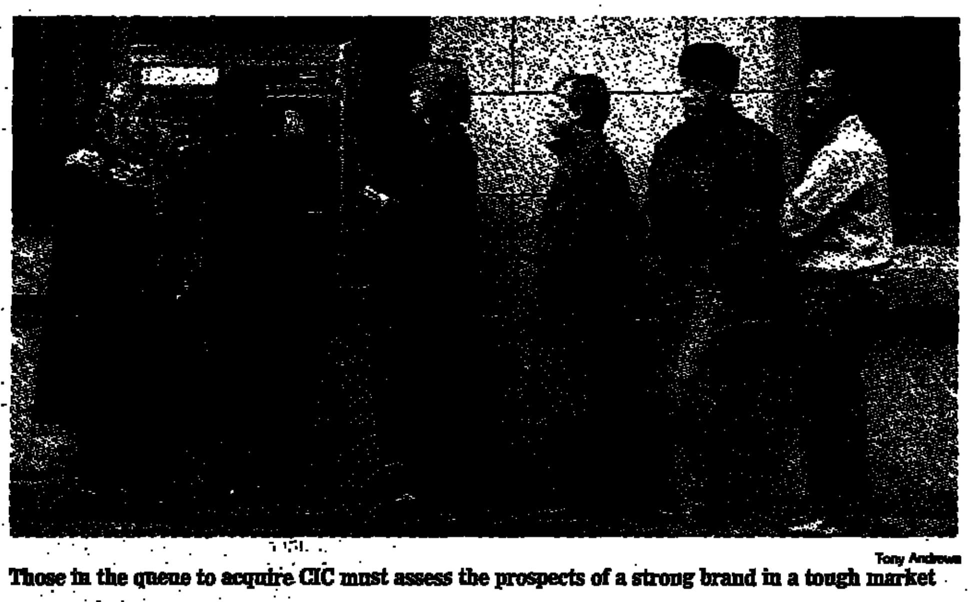
Mr Caio was commenting on a report by Dataquest, the US-based technology analysis group, which highlighted Olivetti's strong European position in IT services. The systems and services division, which accounts for 60 per cent of group turnover, develops IT solutions for specific markets, including banks, retailers and public authorities, and provides support services and IT consultancy. It would remain at the centre of Olivetti strategy, Mr Caio said.

In recent months, analysts have focused on Olivetti's ailing personal computer subsidiary, which accounts for less than 20 per cent of turnover. Olivetti reported last week that the subsidiary had reached a pre-tax profit in the second quarter, but volumes would be lower than expected in the second half.

Mr Caio would not comment on the turbulence of Olivetti's shares in the past few days, except to say that all technology stocks had fluctuated wildly in recent weeks. Olivetti, which lost L1,589bn ($1.04bn) after tax and restructuring charges in 1995, will publish its half-year results in September.

Mr Caio was appointed after the departure of Mr Corrado Passera and the decision by Mr Carlo De Benedetti, Olivetti chairman, to give up day-to-day executive duties.

CIC offers mixed blessings for potential buyers



Tony Andrews

Those in the queue to acquire CIC must assess the prospects of a strong brand in a tough market

Potential acquirers of CIC, the state-controlled French bank set for privatisation, will need to give their decisions a lot of thought.

On the positive side, the purchaser will have the chance to acquire one of the country's largest banks, with total assets of FFr555bn in 1995, profits rising gradually to FFr625m ($125m) last year, and a nationwide branch network.

It is an institution with a strong brand name and a tradition of innovation, exemplified by its role as the first bank to produce special services for young clients, as early as 1984.

Many of its recent financial difficulties – like those of its competitors – had been linked to the vagaries of the French property market. CIC was heavily exposed through its subsidiary UIC, which lent to developers. But UIC has been hived off, and is wholly-owned by CIC's leading shareholder, the state-owned GAN insurance group.

Mr Bernard Yoncourt, chairman, stresses that CIC's real strength is that it is a grouping for regional banks – such as Banque CIAL in Alsace and Lyonnaise de Banque – rather than a single national bank with regional offices. "The regional heads have the power, they talk as chief executive with local companies.

"Daily decisions are taken 100 per cent in the regions. Clients are loyal. It is not the same as having a regional direction for a national bank."

But such a structure also brings problems. While the parent company CIC has all the legal rights of ownership over its regional subsidiaries, it was historically the product of a modest contribution of power and money from those banks that created a co-ordination centre.

They remain intensely jealous of their own autonomy. Earlier this year, several of the larger regional banks considered arranging a buy-out of the parent, turning CIC into a form of mutual bank.

Yesterday's privatisation announcement appears to scupper such an idea, but any attempt by a purchaser either to break up the group, or to challenge the independence of each region, could trigger vigorous opposition.

As Mr Yoncourt says: "It would be a shame if it was sold by division, or this identity and approach in the regions were to disappear. There is a collective responsibility."

Yet he concedes that as a result of this decentralised structure, "the group has not had the habit of playing its role". Its computer systems are not integrated, and he believes there is a need for the bank to evolve further from its original industrial and corporate base towards other activities, including individual customers and asset management.

For him, the ideal balance is for the regions to determine risks, commercial policy, client relations, management of assets and social policy, within limits set down by the holding company, which has "shareholders' rights" to dictate boundaries, determine new investments and create synergies within the group.

Mr Yoncourt also argues that CIC's ratio of banking revenues to operating costs remains too high at nearly 78 per cent, several points higher than a number of its leading rivals. He believes that the regional structure justifies a premium of up to 2 percentage points, but the overall ratio needs to fall to 69-70 per cent.

One of his responses has been to launch a programme to harmonise computer systems, and establish a series of regional back offices designed to improve efficiency and reduce costs.

Potential purchasers may feel constrained – at least in the short-term – by the challenges of meeting the French government's conditions on the sale, such as GAN's desire to continue selling its own life assurance products through the CIC network.

They also face a structural challenge: the potential profitability of the France's domestic banking sector – where most of CIC's activities are concentrated – at a time of intense competition and low margins.

Andrew Jack

Portugal Telecom studies sale of stake

By Nicholas Denton

Portugal Telecom, the partly-privatised Portuguese operator, yesterday started a process that could lead to the sale of a stake to a large telecoms company such as Stet of Italy or Deutsche Telekom.

It appointed Deutsche Morgan Grenfell, the investment banking subsidiary of Deutsche Bank, and Arthur D. Little, the telecoms industry consultants, to advise on alliances and other elements of its strategy.

Among the options to be examined by the advisers is the possible sale of a shareholding of 20 per cent-25 per cent. If that happened, Portugal Telecom would be the fifth European national operator to take on outside industry investors.

The Portuguese government floated a 27 per cent stake last year and then in June sold a further 22 per cent in the market for $950m. Like most European governments, it opted for telecoms privatisation by public offering.

But, as the telecoms industry has begun to consolidate, a number of smaller telecoms operators have chosen to sell stakes to larger companies. Matav of Hungary, SPT Telecom of the Czech Republic, Belgacom of Belgium and Telecom Eireann of Ireland have all given up part of their independence.

The main issue for Portugal Telecom's advisers will be to persuade the management, and the Portuguese government, to give up sufficient control to attract telecoms industry investors.

The global co-ordinators of the public offerings – Merrill Lynch, SBC Warburg, Union Bank of Switzerland and Portugal's Banco Essi – were ruled out of contention for the advisory mandate.

But they helped choose the banks that were invited to tender for the work.

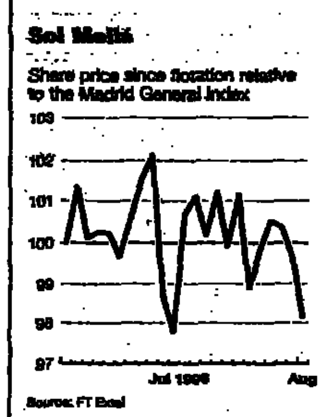
Morgan Stanley and Goldman Sachs, Merrill Lynch's biggest competitors, were not invited. The shortlist was N.M. Rothschild, Salomon Brothers and Deutsche Morgan Grenfell.

Although DMG had the advantage that many of its most serious competitors were eliminated, the mandate is a significant boost for the bank, which is seeking to build up its international equities and advisory businesses.

The Portugal Telecom mandate was awarded just a week after the French Treasury appointed DMG and Banque Paribas to act as advisers on the forthcoming privatisation of France Télécom.

NEWS DIGEST

Sol Meliá ahead 34% in first half



Sol Meliá, the Majorca-based hotel group, yesterday reported a 34 per cent rise in profits for the first half to the end of June, from Pta1.5bn last year to Pta2bn ($15.9m). A month ago the company raised $275m in fresh capital in an initial public offering that set records for an international placement by a Spanish company. The results, which were in line with expectations, came as the family-controlled group announced further expansion which indicated that it was on track to increase the 185 hotels it has under management to 210 by the end of the year. Sol Meliá said it had formed an alliance with Hotti-Hoteis, Portugal's biggest hotel chain, to ensure the management and franchise of its future projects. Hotti-Hoteis plans to add six new hotels this year to the five it now operates. Sol Meliá, which is ranked 17th among the world's hotel groups, runs a mix of city and resort hotels. The group is understood to be seeking franchises in European capitals such as London, Paris and Rome – popular destinations for Spanish travellers.

The half-year results showed revenues ahead 21.4 per cent to Pta6.2bn, a 15.1 per cent rise in operating costs to Pta4.5bn, and a 33 per cent increase in operating profit to Pta2.2bn. Sol Meliá, which is the only hotel group listed on Madrid's Bolsa, has outperformed the bearish domestic equity market over the past month, with its shares trading at a high of Pta3,000. The Escarrer family placed 40 per cent of its business on the market at the begining of July with a price of Pta2,700, valuing the group at $687.5m. The issue of 13m shares was 22 times oversubscribed on the domestic tranche and 20 times outside Spain, where 9m shares were placed. *Tom Burns, Madrid*

BHF-Bank slows in second term

BHF-Bank yesterday reported a modest rise in first-half profits, marking a slowdown from the growth rate in the first quarter. The German bank had already warned that the economic slowdown in Germany could affect its second quarter performance, but it was confident of matching the full 1995 result this year. Operating profits increased 3.5 per cent to DM148m ($100m) in the first six months – against a 7 per cent rise in the first quarter – after a fall in interest income and higher commission and trading profits. Costs rose 6 per cent to DM401m, with risk provisions unchanged at DM85m.

The bank said falling margins on private customer business had been offset through improved results from its Luxembourg operation, BHF-Bank International, and its mortgage bank, Deutsche Hypothekenbank. The interest surplus, down 2 per cent to DM355m, was held back by the non-payment of a dividend by Agiv, the loss-making industrial and transport group in which BHF owns nearly half the shares. Commission profits, 5 per cent higher at DM215m, benefited from increased securities business at the parent bank and its Swiss subsidiary, and from higher earnings at Charterhouse, the UK merchant bank in which BHF-Bank and CCF, its French partner, each own 50 per cent.

Own-account trading profits in securities, foreign exchange and other financial instruments rose 76 per cent to DM60m. On costs, the bank said it had identified savings of 15 per cent as a result of an efficiency programme at its Frankfurt headquarters. *Andrew Fisher, Frankfurt*

MBO for Grundig chip plant

Grundig, the German audio and video equipment maker, is taking a further step in its restructuring with a management buy-out of its Nuremberg-Langwasser semiconductor plant. Grundig, a unit of Philips, the Dutch group, said the chip plant, which has 250 workers, would become an independent company, called Rotra, owned by former managers Mr Rudi Opitz and Mr Achim Trampenau. Mr Pieter van der Wal, Grundig chairman, said restructuring plans announced last February were on schedule, and sales and earnings in line with expectations. "We have hard work ahead of us to become a consistently profitable company," he added.
Gordon Cramb, Amsterdam

Royal Bank buys Warburg division

By Nicholas Denton

Royal Bank of Scotland yesterday said it was buying the share custody division of SG Warburg and propelled itself into the top rank of the rapidly consolidating global custody industry.

The acquisition adds the £80bn ($124.8bn) under custody by the Warburg division to RBS's £170bn to create the UK's second largest custody operation – the physical handling of securities – after Midland Bank's and the world's sixth largest by equity assets.

RBS will gain Warburg's main custody client, Mercury Asset Management, the UK's largest fund manager, and lift its market share of custody for the UK pension fund sector to 22 per cent.

The takeover also brings administration services – the accounting of products such as unit trusts – to a business which had concentrated on straightforward custody services.

As custody fees have halved in a decade to 5 basis points (0.05 per cent) of assets, expenditure on information technology has come to represent about 20 per cent of costs, encouraging economies of scale and consolidation. Lloyds Bank took over the £57bn of assets under custody of NatWest Markets in 1995 and Prudential subcontracted custody of its £40bn portfolio to Mellon Trust and Midland Bank earlier this year.

Administration of retail products such as unit trusts and personal equity plans is still largely performed in-house by fund management companies. But rising IT costs are encouraging outsourcing and consolidation, attracting custodians such as RBS.

The Warburg custody business arose to service the UK investment bank's fund management arm, MAM. When SBC acquired Warburg in 1995, MAM was demerged and SBC put the custody business up for sale.

It is understood that State Street of the US and Midland both expressed interest but RBS emerged as the leading bidder. The purchase price depends on an asset valuation of the operation and is expected to be up to £50m.

Up to £20m of the proceeds will go to SBC Warburg while MAM will take £30m of convertible loan stock in the merged custodian, RBS Trust Bank, in exchange for the assets it had provided to the Warburg operation.

Kepit rejects TR Euro offer

By Roger Taylor

Kleinwort European Privatisation Trust yesterday firmly rejected the surprise £500m bid from TR European Growth, a small investment trust managed by Henderson Touche Remnant.

Kepit directors described the bid as "opportunistic" and said it did not believe TR could raise as much as it claimed by liquidating the trust.

In an unusually aggressive move for an investment trust, TR is proposing to wind up Kepit, Kleinwort Benson's largest investment trust, sell off its assets and return the cash to shareholders, after first deducting a percentage for itself.

The bid aims to take advantage of widespread discontent among Kepit investors who have seen the price of its shares fall since launch two years ago. They are now worth less than the value of the assets held by the trust.

Kleinwort said that TR's plans to wind up the trust be like "announcing to the market that it was a seller". This would make it impossible to sell the assets at a good price and result in poor returns for shareholders.

Mr Simon White, a director of Kepit, said yesterday: "There is something in this bid for TR and Henderson, there is something in it for the advisers, but there is nothing in it for shareholders of Kepit".

TR is offering Kepit shareholders either cash or shares. However, the share offer is limited to £100m, so most shareholders will have to take cash.

The value of the offer depends entirely on how much TR can get for selling off Kepit's investments. It will pay 99.25 per cent of whatever it makes from the sale, after deducting costs of about 2 per cent.

TR's move comes days before shareholders are due to vote on Kepit's own plans to partially liquidate the fund.

See Lex

Sainsbury takes all Homebase

By Christopher Brown-Humes

J Sainsbury, the supermarket group, yesterday agreed to take full control of its Homebase DIY subsidiary by buying 25 per cent of the unit from GIB, Belgium's biggest retailer, for £77.5m.

The deal involves a cash outlay of £65m and the repayment of a £12.5m shareholder loan from GIB to Homebase. It represents an excellent return for the seller which paid only £250,000 for its stake when Homebase was set up in 1979.

Yesterday's deal was initiated by GIB, said Mr Dino Adriano, Sainsbury's deputy chief executive and chairman of Homebase. He said the Belgian group disliked having minority stakes in sectors it considered core business. It was also anxious to release funds for investment in its core continental European operations.

He said the UK DIY market had improved over the last two months, but it was premature to call it a sustained recovery. "We are doing this deal because we believe in the market's long-term growth potential," he stated.

GIB has indicated it wants to develop its DIY operations in Spain and Portugal and expand its Quick fast food restaurants. The Belgian group has been through a lengthy period of restructuring, culminating in a BFr4.35bn loss last year.

Loans increase behind AIB rise

By John Gapper, Banking Editor

Allied Irish Banks yesterday declared a 14 per cent rise in pre-tax profits from I£177.1m to I£201.1m ($322.8m) for the first half of the year, driven by a continuing strong growth in loans, and financial markets trading.

The bank raised its interim dividend by 14.4 per cent to 5.85p, and said it would seek permission from its shareholders to make share buy-backs at its next annual meeting.

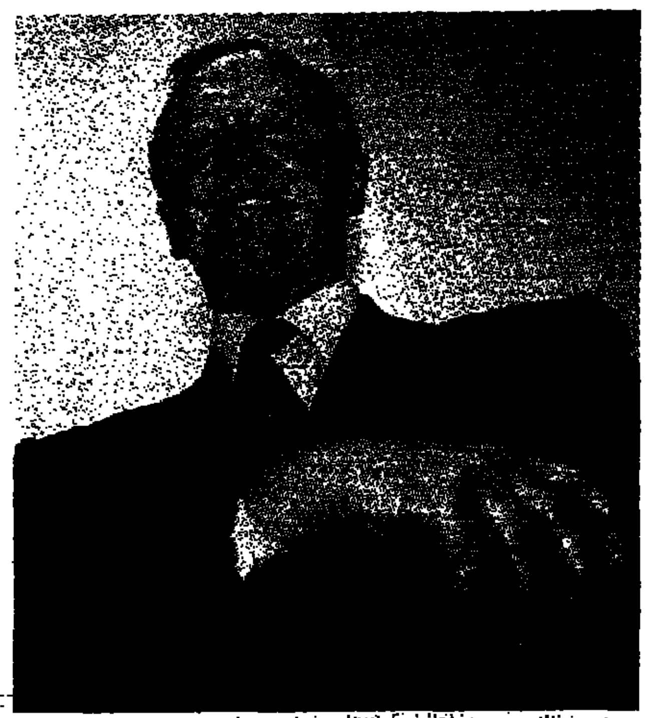
However, directors emphasised that it was likely to try to maintain strong capital ratios in order to be ready to make further acquisitions either in the US, or by buying a UK building society or life insurance firm.

They said that, given the consolidation of the UK building society movement, the opportunity to buy a society of the right size was "slipping away", but opportunities across the UK financial services sector would be considered.

The bank's loan book grew by 5.2 per cent between December and June, with growth of 10.1 per cent in the Republic of Ireland. Strongest growth in assets came in Irish residential mortgages, and lease finance.

Leasing assets in Ireland rose by 28.4 per cent growth in leasing assets in Ireland, and mortgages rose by 12.4 per cent.

Mr Neil Dean, chief financial officer, said the rate of loan growth was likely to slow in the second half.



Brendan Corr

Neil Dean: rate of loan growth likely to slow in second half

Disposals help TI's 43% rise to £125m

By Tim Burt

TI Group, the specialist engineering and aerospace concern, yesterday reported a 43 per cent increase in first-half profits as disposal proceeds and rigorous cost controls offset flat sales in some markets.

The company, whose products include mechanical seals, fuel systems and aircraft landing gear, raised pre-tax profits from £87.4m to £125.3m ($195.5m) on sales of £895.2m (£859.4m) in the six months to June 30. The figures were flattered by an exceptional gain of £21.6m on the sale of three non-core engineering businesses and a lower interest charge of £2.7m (£4.8m).

Sir Christopher Lewinton, chairman, said the group was enjoying strong organic growth, with underlying profits up 19 per cent to £104m. Improved contributions from operations in the Americas and the Pacific Rim had compensated for dull market conditions in continental Europe.

Sir Christopher highlighted "strong organic growth" in TI's three core divisions – John Crane, Bundy and Dowty – and hinted at sizeable bolt-on acquisitions. The group reiterated its position at the end of last year that it could comfortably spend up to £300m on acquisitions without straining its balance sheet.

TI's spending power was enhanced by improved cash flow from operations of £103m (£98.5m), which contributed to net cash of £71m – against borrowings of £20.4m.

Sir Christopher said the group was considering a number of acquisition opportunities for John Crane, the seals and polymer engineering division, which reported profits of £47.9m (£42.1m). He also hinted at bolt-ons at Bundy, the fuel and refrigeration tubing maker, where profits rose from £36.6m to £40.5m.

Acquisitions were said to be less likely at Dowty Aerospace, which increased profits to £20.7m (£17.6m) in spite of a reduced contribution of £8.4m (£10.3m) before interest from its Messier-Dowty landing gear joint venture.

See Lex

Weak chemicals side hits Royal Dutch/Shell

By Patrick Harverson

A sharp fall at its chemicals business saw profits at Royal Dutch/Shell, the Anglo-Dutch oil group, fall from £1.28bn to £1.18bn ($1.84bn) in the second quarter.

The downturn in chemicals and £60m of currency losses wiped out benefits of higher oil prices and improved profits from exploration and production and refining and marketing. However, Shell's exceptionally strong first quarter meant interim profits, calculated on a replacement cost of supplies basis, rose 15 per cent to £2.93bn (£2.55bn).

Revenues were £27.4bn (£24.2bn) in the quarter, and £53.4bn (£46.9bn) in the half. The growth in sales was primarily generated by higher oil prices, which in the quarter averaged $19.50 a barrel of Brent crude, against $18.60 the previous quarter.

Analysts had expected the chemicals result to be lower than a year ago when the industry was reaching its cyclical peak, but they were surprised by the extent of the deterioration.

Profits from chemicals plunged 54 per cent in the second quarter to £184m (£398m) as overcapacity and intense pressure on prices and margins took its toll. For the half year, chemicals profits were also 54 per cent lower at £349m.

Mr John Jennings, chairman of Shell Transport and Trading, said he expected the difficult conditions in chemicals to continue.

The picture from exploration and production was much brighter. Profits climbed to £670m (£464m) in the quarter and £1.58bn (£1.06bn) in the half.

Refining and marketing profits rose slightly in the quarter to £480m (£457m), taking the first-half total to £1bn (£793m).

Earnings per share for Royal Dutch were Fl 3.65 in the first quarter and Fl 8.87 in the first half, against Fl 3.81 and Fl 7.79 respectively last year.

Higher oil prices help lift Lasmo

By Patrick Harverson

Higher oil prices and lower costs helped Lasmo, the UK's second largest independent oil explorer, report a substantial improvement in the first half, in spite of a setback at its Liverpool Bay oil and gas field.

The pre-tax result jumped 44 per cent from £81m to £117m ($182.5m), helped by a £23m profit on the sale of the company's Nova Scotia assets to Pan-Canadian Petroleum, a gain partially offset by higher net finance and tax charges.

Operating profits climbed £20m to £103m, thanks primarily to higher oil prices, which averaged $18.45 a barrel, against $17.38, and lower costs. However, exploration write-offs rose to £18m (£10m). Revenues climbed to £358m (£330m).

Production rose slightly from 170,000 to 172,000 barrels a day. Output would have been higher but for difficulties at the Liverpool Bay field.

On the oil side there were technical problems at the platform offshore, and on the gas side the breakdown of a turbine at PowerGen's Connah's Quay plant, which will burn the Liverpool Bay gas, also disrupted production.

However, Mr Joe Darby, chief executive, said he expected production from Liverpool Bay to increase in the second half and into 1997.

There was better news from Lasmo's Algerian operations, where government approval was received for provisional exploration at two fields. The company also announced it had acquired new acreage in Egypt and Italy, and was negotiating for six licenses in three countries. It is also setting up a joint venture in Kuwait to pursue development opportunities in the Middle East.

COMPANIES AND FINANCE: UK

Yorkshire Elec moves to lift share price

By Jane Martinson

Yorkshire Electricity is to increase its annual dividend by more than a third this year in a surprise move designed to lift a share price which the company believes has been depressed by political concerns.

The shares rose 26p to 707p yesterday as the regional electricity company announced its intention to pay a 52.66p total dividend in the year to March 1997, an increase of 34.4 per cent.

Prior to the announcement, at yesterday's annual meeting in Grimsby, the company had promised a 10 per cent increase.

The announcement raised expectations of further buy-backs and special dividends by utilities before the general election.

Earlier this week Thames Water bought back 10 per cent of its shares and a number of other groups – notably Yorkshire Water, East Midlands Electricity and PowerGen – are expected to do so before the year-end.

Mr Tony Coleman, finance director of Yorkshire, said the move was prompted by "shareholders making quite clear that they are natural sellers of the sector because of political and regulatory uncertainties. We have to respect that".

Yorkshire's share price has underperformed the market by about 17 per cent in the past year.

Even after yesterday's share price rise the proposed dividend puts the group on a prospective yield for the year of just over 9 per cent, about twice the market average.

Yorkshire has promised a further 7 per cent dividend increase for next year.

The group is also expected to spend about £110m on buying back 10 per cent of its shares before the year-end and after receiving permission for such a move yesterday.

Mr Coleman denied that the dividend rise was designed to offset the effect of the Labour party's proposed windfall tax. "We would have to get rid of a lot of money to get immunity from it," he said. "Any existing or incoming administration could simply say 'Go and borrow some more'."

Following the dividend payout and a buy-back the group's gearing would be at about 100 per cent, he said.

General Cable in £131m purchase

By David Blackwell

General Cable, the UK's fifth largest cable operator, yesterday completed the £131m ($204m) acquisition of the 50 per cent of Yorkshire Cable Group that it did not already own.

In a complex transaction the group issued 75m new ordinary shares priced at 160p on the international market. The deal, which marks a further consolidation of the UK cable television industry, raised £43.2m net of expenses for working capital and to repay Yorkshire's debt.

The Yorkshire stake was acquired from Singapore Telecom International, which has long signalled its intention to quit the UK market. Singapore Telecom will receive £72.3m in cash and retain 36.5m shares in General Cable – a stake of just under 10 per cent. It has agreed not to reduce its stake for two years.

The shares, which are expected to be admitted to the official list on Tuesday, closed yesterday down 3½p at 162½p.

The stake held by Compagnie Générale des Eaux will fall by 58 per cent to just over 40 per cent.

Breaking up is hard

Ross Tieman on disenchantment since Hanson opted to split up

How is the once-mighty Hanson fallen. Since Lord Hanson announced plans in January to split his £11bn-turnover industrial holding company into four, the shares have fallen 23.6 per cent, closing yesterday at just 155½p. Against the FT-SE-100 index, the decline, some 21.2 per cent, is almost as severe. Today the shares are trading below even the most conservative assessments of Hanson's break-up value of about 165p.

In part, the slide reflects market disillusionment with the conglomerate sector at a time when focus and globalisation are management buzzwords. That has been compounded by Hanson's own demerger strategy, which has led many investors to conclude that in the 1990s conglomerates are dinosaurs doomed to extinction.

More damaging, though, are the altered market circumstances since the break-up was unveiled, and the information that has emerged about Hanson itself.

Under the demerger plan, Hanson's tobacco and chemical businesses are each to be floated off separately on October 1. That will be followed by the flotation of the energy arm next January.

Imperial Tobacco Group, is, in spite of its size, a potential takeover target.

But the outlook for the chemicals business has deteriorated sharply since the demerger was announced. Millenium Chemicals will comprise Quantum, a leading producer of polyethylene, and SCM, which makes titanium dioxide.

Far from proving attractive to predators, as analysts had hoped, it now looks likely to attract a bid only from a bigger player seeking to rationalise overcapacity in its sectors and expand its share of fiercely competitive markets.

Hanson's energy business has also suffered a de-rating, for different reasons. It combines America's largest coal producer, Peabody, with Eastern, the UK electricity distributor acquired last September for £2.5bn and a clutch of coal-fired generating plants bought from National Power for £1.7bn. But price-earnings multiples in the UK electricity industry have fallen sharply on fears of tighter regulation, particularly if a Labour government won power next spring.

Meanwhile investors who used to rely upon Hanson's hefty dividend payout face a substantial cut once the demerger is achieved.

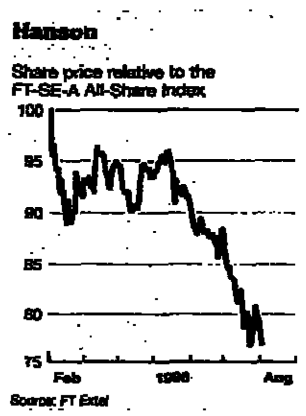
But the most damaging blow to sentiment came earlier this month, when Hanson accompanied first-half profits with news that it was cutting the value of its assets by £3.2bn. The cause was a switch to US accounting standards for the energy business, which is expected to be quoted in New York as well as London, and a reduction in the value of Peabody's coal reserves and the un-mined rock at Cornerstone's US quarries.

Although Hanson denies it, some analysts believe the company had over-valued the assets in the past.

At the peak of its influence in the late 1980s, Hanson could put the frighteners on ICI, or offer to take PowerGen off the government's hands without a quiver. Today, it is out of favour. Lord Hanson's knack was to spot value others had overlooked. By the year end, investors will know whether that talent persists, or whether the market is now the better judge of the group's potential.

Hanson

Share price relative to the FT-SE-A All-Share Index



Source: FT Extel

Blenheim confirms takeover talks

By Tim Burt

Blenheim Group, the exhibitions organiser, confirmed yesterday it was in takeover talks that could lead to an offer for the company.

The shares rose 9p to 434p.

The Stock Exchange statement, released following an intervention by the Takeover Panel, did not name the potential bidders.

However, United News & Media, the publishing, media and financial services company, said it had suspended negotiations with Blenheim pending the release of further financial information.

Reed Elsevier, another potential bidder, declined to comment. The Anglo-Dutch publishing group was yesterday said to be maintaining a dialogue with Blenheim, although suggestions of an imminent deal were played down.

United, meanwhile, indicated last night that it was hopeful of obtaining answers to areas of concern raised with Blenheim and its advisers. Those are thought to centre on its accounting procedures and its method for reporting profits.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abbey ♣	Yr to Apr 30	45	(50.4)	6.22♥	(8.37)	11.17	(15.08)	3.4	Oct 7	3.15	5.5	5.25
Allied Irish Banks ♣	6 mths to June 30	-	(-)	201.1	(177.1)	18.3	(16.1)	5.95	Sept 28	5.2	-	12.9
Black Arrow	Yr to Mar 31 ★	21.4	(24.5)	2.47	(2.51)	6.73	(6.45)	2.4	Oct 8	2.1	3.4	3.1
Chieftain	6 mths to June 30	6.33	(5.23)	0.208	(0.381L)	2.43	(4.43L)	1	Oct 9	0.5	-	1
Green Property ♣	6 mths to June 30	5.13☐	(4.61☐)	2.94	(2.9)	5.4†	(5.97)	1.3	Oct 1	1.3	-	4.4
Howard	Yr to Apr 30	5.19	(4.65)	0.406	(0.317)	1.09	(0.86)	0.8	Oct 9	0.8	0.8	0.8
Huntingdon Intl	6 mths to June 30	36.7	(41.4)	2.65	(28.4L♠)	1.8†	(28.4L)	nil	-	nil	nil	nil
Lasmo	6 mths to June 30	358	(330)	117♥	(81)	3.9	(1.4)	-	-	-	-	1.25
Leslie Wise	Yr to May 31	32.3	(32.2)	1.41	(1.51)	2.67	(2.88)	1.75	Oct 1	1.75	-	4.25
Misys	Yr to May 31	279.9	(153.4)	50.4	(26.3)	44†	(35.1)	6.69	Oct 7	5.82	10.66	9.27
Mountcashel Φ	6 mths to June 30	-	(-)	0.8	(-)	10.57	(-)	-	-	-	-	-
MWF Φ	Yr to May 31	67.9	(57.3)	2.57	(2.3)	22.3	(20.7)	8	-	6.5	8	6.5
Psion	6 mths to June 30	53.7	(39.8)	6.51♠	(5.15)	5.88	(4.99)	0.65	Sept 27	0.5*	-	1.667*
Reece	6 mths to June 30	8.82	(7.65)	0.079	(0.068)	0.05	(0.04)	-	-	-	-	-
Rotork	6 mths to June 30	45.7	(39.7)	9.12	(7.43)	6.6	(5.3)	3	Oct 4	2.1	-	5.4
Shell Transport ‡	6 mths to June 30	53,438	(46,862)	2,926■	(2,554■)	32	(27.9)	‡‡	-	12.9	-	33.3
TI	6 mths to June 30	895.2	(859.4)	125.3♥	(87.4)	19.3	(12.5)	4.75	Oct 8	4.35	-	13.1

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fidelity Japanese	6 mths to June 30	85.37	(68.21)	0.46L	(0.146L)	0.44L	(0.14L)	-	-	-	-	0.1
Greenfriar	6 mths to June 30 ★	574.9	(467.8)	0.469	(0.364)	3.89	(3.08)	2.3	Sept 13	2.25	-	7.05
Malvern UK Index	6 mths to June 30	166.03	(146.61)	1.44	(1.22)	2.97	(2.51)	2	Sept 10	2	-	4.9

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♣Irish currency. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated. ☐Net rental income. *Equivalent after allowing for scrip issue. ‡Turnover and profit for Royal Dutch Shell group. ■After tax and minorities. ‡‡Expected to be announced on September 12. ΦAim stock.

Production data spur Treasuries

By Lisa Bransten in New York and Peter John in London

Treasury prices soared in early trading yesterday as weak data on manufacturing activity convinced many on Wall Street that the Federal Reserve would not raise interest rates later this month.

Near midday, the benchmark 30-year Treasury was 1 11/32 stronger at 89 3/32 to yield 6.845 per cent, setting the long bond on track to finish the session with its lowest yield since May 28. At the short end of the maturity spectrum, the two-year note added 5/32 at 100 4/32, yielding 6.064 per cent. The September 30-year bond climbed 1 5/32 to 110 11/32.

The slope of the yield curve between two-year and 30-year maturities steepened by 3 basis points to 79 basis points as easing fears of a short-term rate increase led yields on shorter-term securities to fall fastest.

Bonds began rising at mid-morning after the National Association of Purchasing Management said its index of business activity fell to 50.2 in July from 54.3 in June. Economists had expected it to hold steady near June levels.

Yesterday was the third consecutive session in which weaker economic news has helped bonds move off the lows established last month, when strong employment figures led most investors to conclude that a rate increase was inevitable.

Mr Kevin Sluder, a senior fixed-income trader at First Chicago Securities, said the market yesterday wrote off a rate increase in August. However, he added that the market could tumble if employment figures due out today are not equally weak.

Earlier, that market paid little attention to figures showing that gross domestic product rose 4.2 per cent in the second quarter, within the range of analysts' projections.

■ US bullishness gave a boost to debt prices throughout Europe. This masked a smaller shift at the expense of Germany and to the benefit of other EU member states, particularly the high-yielders.

GOVERNMENT BONDS

Bunds were weak ahead of the US data as a worrying report from the Social Democratic party offset potentially beneficial information from the IFO economics institute.

The SPD said predictions of DM60bn for this year's budget deficit were unrealistic, with the drain on the economy already reaching DM45bn by the end of the first half.

That prediction of forthcoming pressure on fiscal policy was more than sufficient to counter forecasts yesterday by the IFO, for relatively subdued growth for 1996. It called for further interest rate cuts.

Its growth forecasts also assumed a rate of between DM1.50 and DM1.55 to the dollar. With the German currency trading above that level, one economist pointed out the risk that growth would be weaker than forecast.

Liffe's September bund future hit a low of 96.85 before rallying to close at 97.26, up 0.21.

■ In contrast, France was helped by a compromise rate cut and a successful OAT auction, even though the absence of any yield pick-up against Germany continued to restrict foreign interest.

The Bank of France reduced its five to 10-day emergency funding rate by 15 basis points to 4.75 per cent. This had been largely expected, but it nonetheless helped sentiment.

Also, an auction of more than FFr15bn of OATs was well covered. The bigger slice of FFr11.66bn in 10-year paper was covered 2.1 times. The auction of FFr3.7bn of 15-year paper received a more positive bid cover, of 2.4 times.

■ In the UK, gilts gained ground over bunds in the morning with a short squeeze exacerbated by some data from the latest Purchasing Managers Index, which reflected a continued absence of pressure on prices and thus on inflation.

Liffe's September long gilt future broke through recent highs – unusually, dealers said, UK investors refrained from taking profits. The absence of domestic selling mingled with a trickle of overseas buying ensured that the strength was maintained.

■ The summer lull kept eurobond issuance at bay, but Abbey National issued an innovative floating-rate instrument in the French franc sector, writes Conner Middelmann. It launched FFr1bn of 10-year bonds pegged to the Tec-10 index, which represents the moving average of constant maturity 10-year French government bond yields. Abbey is the first foreign borrower to have launched such securities.

The bonds pay a coupon of 100 basis points below the Tec-10 index, which currently trades at 6.39 per cent. Since the index tracks long-term bond yields, bullish investors buying Abbey's bonds would expect long-dated French yields to rise and/or the yield curve to steepen.

BNP, joint lead with Morgan Stanley, said the bonds met with strong interest from French institutions with long-dated liabilities, such as pension funds. They also drew money market funds looking for floating-rate assets offering a yield pick-up, and banks and central banks seeking to hedge fixed-rate portfolios.

New fund will trade on market anomalies

By Philip Coggan, Markets Editor

Crédit Lyonnais Rouse and Equitable House Investments have launched a hedge fund designed to give investors a chance to participate in the skills of a proprietary arbitrage trading desk.

The Volatility Fund, a Luxembourg-registered open-ended investment vehicle, is designed to take advantage of pricing anomalies in the equity and commodity markets.

These anomalies may have increased, according to Mr Desmond Fitzgerald, chairman and chief executive of Equitable House, because the derivative disasters at banks such as Barings have led financial groups to reduce the capital devoted to trading activities.

One strategy which the fund will follow entails selling options when the implied volatility in premiums is high (which often occurs during periods of market turmoil), and buying the options back when volatility declines. The fund will be "market neutral" – in other words, its performance will not be dependent on the direction of market movements. It will trade in neither bonds nor currencies, where Mr Fitzgerald thinks arbitrage possibilities are more limited.

Equitable House cites a cumulative return of 90 per cent since its establishment in September 1993, employing the same techniques as the Volatility fund will use.

The minimum investment in the fund, which is designed for institutional investors, will be $750,000; annual fees will be 2 per cent with a further performance fee based on the excess return over US Treasury bills. Both US dollar and D-Mark share classes will be offered.

Zhuhai deal may soften state stance on financing

By Sophie Roell in Beijing

The success of a $300m bond issue for an infrastructure company in China's Guangdong province this week has raised hopes that Chinese entities might regularly tap the international capital markets to finance the country's large infrastructure requirements.

The issue for the Zhuhai Highway Company – a special purpose vehicle formed to raise financing to build roads in the city of Zhuhai in southern China – was structured as a non-recourse financing, meaning the bonds are not backed by a guarantee from the Chinese government.

Instead, investors rely for repayment on revenue generated by the company. Under central government guidelines, foreign borrowing for infrastructure should be on the basis of the economic viability of projects, rather than the support of the state.

Revenue will come from an annual vehicle usage fee paid by motorists registered in Zhuhai, and from tolls paid as vehicles enter the city, which is one of China's special economic zones. The Zhu Kuan Group – a municipally-owned enterprise, of which Zhuhai Highway Company is a part – has pledged support if there is an interruption in the revenue stream, or if the company has difficulty in finding foreign exchange to service its obligations.

Although a similar structure has been used to raise bank loans for infrastructure projects in China, this is the first time the country has successfully tapped the longer-term financing available in the capital markets. The deal is divided into two tranches: $85m of senior notes due in 2006, and $115m of subordinated notes due 2008. The issue was lead-managed by Morgan Stanley.

Bankers said the deal showed increasing flexibility by the Chinese government in allowing new borrowers to access the capital markets. Traditionally, China has restricted overseas bond issuance to a few select entities – mostly financial institutions – worried that allowing less creditworthy entities to raise funds would damage the country's reputation and, as a result, drive up the cost of borrowing.

While the senior notes for the project were rated BBB by Standard & Poor's – the same as China's sovereign rating – the subordinated debt was issued with a speculative grade rating of BB. Both were priced at a much wider spread to US Treasuries than China's sovereign borrowings: the senior debt at 250 basis points and the subordinated debt at 475 basis points. A 10-year bond issue by China's ministry of finance at the beginning of July was oversubscribed at a price of only 110 basis points over Treasuries.

Mr Paul Coughlin, managing director at Standard & Poor's in Hong Kong, said it was the first speculative grade bond issue out of China.

China's decision to allow a municipally-owned, stand-alone company to issue in the market reflects a trade-off between the higher cost of borrowing and concern in the central government about its own potential foreign debt obligations if it continues to foot the bill – either directly or through guarantees – for the country's infrastructure needs.

Exchanges study banking link

By Laurie Morse in Chicago

The world's two largest futures exchanges are edging toward consolidating operations, under pressure from their institutional memberships to reduce clearing costs.

While a full merger is not likely, the Chicago Board of Trade and the Chicago Mercantile Exchange are about to sign a letter of intent to pursue common banking.

They have also agreed to pay EDS, the US computer services group, $1.4m to explore cost-savings from consolidating regulatory, clearing, technical and order delivery operations in Chicago. Unlike London, Chicago's big futures exchanges have separate clearing and settlement systems.

The EDS studies are expected to be completed before the end of the year. Common banking will enable the clearing firms that do business on each exchange to effect settlement of trades with a single transaction through a common account at a bank. This will trim member firm costs and reduce risks to the payment system.

The CME two years ago agreed common banking with the New York Mercantile Exchange, although that facility is still under development.

Mr Merton Miller, the Nobel Prize-winning economist who is leading the exchanges' consolidation talks, says US futures exchanges, including the Nymex, may have multilateral banking by the time the CME/CBoT project is complete.

This is the latest effort by the Chicago exchanges to streamline operations. A similar joint venture formed five years ago was disbanded.

SE-Banken arm launches Russia fund

By Greg McIvor in Stockholm

Enskilda Securities, the investment banking arm of Skandinaviska Enskilda Banken, the Swedish bank, is to launch a new listed equities fund for the Russian market.

The fund will be open-ended and have an initial target size of $50m, putting it at the larger end of the 16 or so international securities funds currently investing in Russia.

The fund will be listed on the Irish stock exchange, and will be the first to include on its board top executives from large Russian listed companies. These include Mr Anatoly Daursky, chief executive of Red October, the confectionery producer; Mr Leonid Fedun, vice-president of Lukoil, Russia's largest privatised oil company; and Mr Sergey Rumyantsev, vice-president of Mosenergo, the power utility.

Enskilda said it was the first big fund to launch in Russia since last month's presidential elections. It will invest in liquid stocks, with an emphasis on undervalued companies with blue-chip potential, as well as growth stocks.

Mr Paul Leander-Engström, partner at Westman & Leander Investment Management in Stockholm, which is advising Enskilda, said he expected Russian banks to switch assets from fixed-income markets into equities, following the victory of President Boris Yeltsin.

He said the poor showing of the Communists had removed the risk of a political "reversal", reflected in growing demand for Russian equities from investors such as pension and mutual funds.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.3780	+1.680	8.11	8.54	8.98
Austria		6.250	05/06	98.2200	+0.200	6.40	6.43	6.58
Belgium		7.000	05/06	102.0900	+0.250	6.70	6.70	6.83
Canada *		7.000	12/06	96.3900	+0.970	7.51	7.67	7.88
Denmark		8.000	03/06	104.6000	+0.200	7.31	7.33	7.53
France	BTAN	5.750	03/01	101.4000	+0.200	5.38	5.40	5.71
	OAT	7.250	04/06	106.4200	+0.070	6.34	6.35	6.59
Germany Bund		6.250	04/06	99.5100	+0.230	6.34	6.35	6.61
Ireland		8.000	08/06	102.7500	+0.450	7.59	7.61	7.77
Italy		9.500	02/06	101.6800	+0.400	9.23†	9.21	9.27
Japan	No 140	6.600	06/01	118.6689	+0.040	2.29	2.32	2.32
	No 182	3.000	09/05	97.6919	-0.200	3.33	3.31	3.29
Netherlands		8.500	06/06	115.4500	+0.270	6.33	6.31	6.54
Portugal		11.875	02/05	118.9400	+0.260	8.63	8.61	8.67
Spain		8.800	04/06	99.8500	+0.750	8.76	8.71	8.82
Sweden		6.000	02/05	86.2957	+0.220	8.30	8.27	8.57
UK Gilts		8.000	12/00	103-06	+5/32	7.12	7.16	7.29
		7.500	12/06	97-15	+10/32	7.88	7.90	8.03
		9.000	10/08	108-00	+13/32	7.96	8.01	8.14
US Treasury *		7.000	07/06	102-21	+44/32	6.60	6.80	6.94
		6.000	02/26	89-12	+56/32	6.84	6.99	7.09
ECU (French Govt)		7.500	04/05	104.3600	-0.010	6.81	6.81	7.01

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.24	123.32	+0.04	123.40	123.00	106,391	188,209
Dec	121.92	121.98	+0.06	122.00	121.72	2,364	34,023
Mar	121.70	121.74	+0.04	121.70	121.56	213	3,557

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.13	97.26	+0.21	97.34	96.85	141640	234391
Dec	96.05	96.37	+0.22	96.35	95.99	177	10653

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Sep	Oct	Nov	Dec	PUTS Sep	Oct	Nov	Dec
9700	0.59	0.44	0.63	0.79	0.33	1.07	1.26	1.42
9750	0.33	0.29	0.46	0.60	0.57	1.42	1.59	1.73
9800	0.16	0.18	0.32	0.45	0.90	1.81	1.95	2.08

Est. vol. total, Calls 15771 Puts 8601. Previous day's open int., Calls 152502 Puts 181846

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	116.02	116.32	+0.46	116.47	115.75	47336	83831
Dec	115.20	115.62	+0.47	115.20	115.18	200	4044

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	100.46	100.38	+0.70	101.18	100.30	57,146	49,474

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	107-00	107-12	+0-13	107-18	106-28	60883	139517
Dec		106-18	+0-13			0	755

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.72	91.78	-	91.90	91.48	1,421	8,368
Dec	90.96	90.06	-0.02	90.06	90.06	305	100

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	109-04	109-02	-0-02	109-10	108-28	262,404	439,620
Dec	108-19	108-18	-0-03	108-26	108-13	2,661	19,888
Mar	108-07	107-30	-	108-07	108-04	35	3,931

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	118.88			118.30	118.87	2347	n/a
Dec	117.71			117.96	117.70	460	n/a

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Aug 1	Day's change %	Wed Jul 31	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	122.15	0.08	122.40	2.57	5.55
2 5-15 years (20)	147.42	0.35	146.90	2.56	6.39
3 Over 15 years (8)	161.60	0.51	160.78	2.83	7.40
4 Irredeemables (6)	183.44	0.36	182.79	2.49	7.36
5 All stocks (56)	142.44	0.28	142.18	2.68	6.30
Index-linked					
6 Up to 5 years (1)	199.05	0.31	198.42	2.37	4.43
7 Over 5 years (11)	188.15	0.31	187.57	1.27	2.79
8 All stocks (12)	188.27	0.31	187.69	1.30	2.81

Yields	Low coupon Aug 1	Jul 31	Yr. ago	Medium coupon Aug 1	Jul 31	Yr. ago	High coupon Aug 1	Jul 31	Yr. ago
5 yrs	7.24	7.30	7.82	7.30	7.35	7.83	7.39	7.43	7.93
15 yrs	8.05	8.12	8.19	8.05	8.13	8.23	8.16	8.20	8.32
20 yrs	8.18	8.22	8.21	8.18	8.21	8.25	8.24	8.26	8.33
Irred.†	8.27	8.30	8.26						

Index-linked yields	Inflation 5% Aug 1	Jul 31	Yr. ago	Inflation 10% Aug 1	Jul 31	Yr. ago
Up to 5 yrs	2.56	2.73	3.26	0.96	1.15	1.56
Over 5 yrs	3.76	3.79	3.82	3.55	3.57	3.43

FT FIXED INTEREST INDICES

	Aug 1	Jul 31	Jul 30	Jul 29	Jul 26	Yr ago	High*	Low*
Govt. Secs. (UK)	93.07	92.77	92.74	92.82	93.00	93.10	96.34	91.59
Fixed Interest	112.86	112.82	112.82	112.78	112.75	111.69	115.23	110.74

GILT EDGED ACTIVITY INDICES

	Jul 31	Jul 30	Jul 29	Jul 26	Jul 25
Gilt Edged bargains	84.2	84.1	87.8	71.1	97.8
5-day average	81.0	80.0	82.3	83.2	88.4

US INTEREST RATES

UK GILTS PRICES

FT/ISMA INTERNATIONAL BOND SERVICE

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CURRENCIES AND MONEY

MARKETS REPORT

Soft US data help ease exchange rate pressures

By Philip Gawith

Markets had a slightly calmer day yesterday after the US purchasing manager's index came in below expectations, easing expectations of an early rise in US interest rates.

The nervous performance of the dollar on Wednesday had left it vulnerable to stronger data which would have invited speculation that the Fed was too accommodating in fighting inflation.

The dollar closed in London at DM1.4736, from DM1.4728. It was off an intra-day low of DM1.4693. Against the yen it finished at Y106.755 from Y106.725.

Trading was dampened by the proximity of the August US payrolls report, which is released today. It is the most closely watched monthly economic release in the world, and five out of the past six months it has come in above expectations, often causing sharp moves in financial markets.

In Europe, the Bank of France cut its 5-10 day lending rate by 15 basis points to 4.75 per cent, but left the more important intervention rate unchanged at 3.55 per cent. The best performing currency was the lira which rallied to finish at L1,027 against the D-Mark from L1,033 on Wednesday.

The pound had an uneventful day, with the trade-weighted index finishing at 84.7 from 84.6.

Elsewhere, the South African rand's troubles continued as it fell to fresh historic lows against the D-Mark and sterling. Against the pound it closed at R7.015, having earlier reached a new low of R7.0455. It was more stable against the dollar, finishing at R4.5050, from R4.5075.

■ Pound in New York

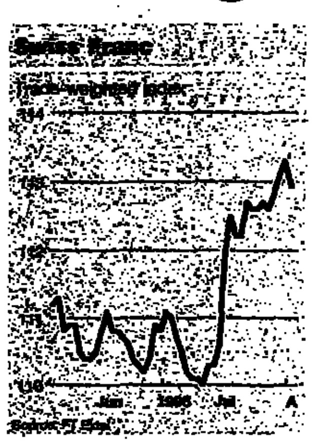
Aug 1	Latest	Prev. close
£ spot	1.5570	1.5566
1 mth	1.5565	1.5555
3 mth	1.5564	1.5554
1 yr	1.5577	1.5577

■ After the release of the US data, the dollar found itself trapped between the conflicting forces of rallying US asset markets, and the reality that markets were now barely discounting any tightening in US interest rates at all.

Mr Tony Norfield, UK treasury economist at ABN AMRO in London, said that it now seemed possible that the Fed might only raise rates once this year, and then only by as little as 25 basis points.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said this scenario augured poorly for the dollar since the expectation of rising interest rates had been the main factor behind the rally in the dollar earlier this year.

Mr Persaud said that there was a chance in the short term that buoyant US asset markets would help the dollar. But in the medium term, he said, the removal of one of the dollar's



"key props", in the form of higher rates, introduced the risk that it would test the DM1.45 and Y105 levels.

Mr Norfield said the fragile growth scenario in Europe, which required lower interest rates, should help the dollar. Whether this benign environment will unfold is a moot point. Ms Alison Cottrell, analyst at Paine Webber in London, believes that it will, in a month's time, when German rates resume their downward path, allowing "high-yielders" to do the same.

But there are risks in the interim. Ms Cottrell notes that when the dollar rises or falls against European currencies, the D-Mark responds disproportionately. A Catch-22 situation, however, has arisen. "If the D-Mark is now less disproportionately exposed to a dollar move, thanks to an integrating core European bloc, it has simultaneously become more vulnerable to any threats to the EMU timetable." But as Ms Cottrell points out, one of the key threats is a weak dollar. If current trends were to continue, they could cause serious tensions in Europe.

■ Sometimes currency movements defy ready explanation. The weakness in the South African rand is a case in point. A string of background factors are called in aid – rumours about the resignation of Mr Chris Stals, governor of the Reserve Bank, the low level of foreign reserves, and a string of other factors, none of which are new.

Little more can be said than that investors are disinclined to buy a currency if they believe it will be weaker the next day, no matter how undervalued it is today.

Worrying, however, is that this weakness takes place against a backdrop of a weak dollar. Also, it is not generalised among exotic currencies. Mr Steve Jennings of Banque Indosuez in London notes that the Czech koruna is at an all time high, while Brazil and Mexico were unmoved by recent changes in Argentina.

■ OTHER CURRENCIES

Aug 1	£	$
Czech Rp	41.0961 - 41.1235	26.3925 - 26.4020
Hungary	231.885 - 232.686	148.890 - 149.010
Iran	4672.80 - 4673.10	3000.00 - 3000.00
Kuwait	0.4653 - 0.4663	0.2988 - 0.2994
Poland	4.2046 - 4.2133	2.7010 - 2.7050
Russia	8133.75 - 8143.13	5225.00 - 5228.00
UAE	5.7162 - 5.7211	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Aug 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1477	+0.011	392 - 561	16.1943	16.1045	16.1185	2.3	16.0415	2.6	-	-	105.4
Belgium	(BFr)	47.2907	-0.0083	458 - 355	47.3410	47.1440	47.1957	2.4	47.0057	2.4	46.2157	2.3	107.3
Denmark	(DKr)	8.8878	-0.0044	837 - 719	8.8732	8.8412	8.8541	1.9	8.8338	1.5	8.7259	1.6	108.1
Finland	(FM)	6.8607	-0.0011	548 - 665	6.8986	6.8560	6.8563	0.8	6.8763	0.7	-	-	85.2
France	(FFr)	7.7892	+0.0073	861 - 922	7.8008	7.7678	7.777	1.9	7.7542	1.8	7.6935	1.5	109.8
Germany	(DM)	2.2946	+0.0013	935 - 957	2.2980	2.2871	2.2902	2.3	2.2811	2.4	2.2424	2.3	109.5
Greece	(Dr)	369.039	+0.51	776 - 301	367.488	364.089	-	-	-	-	-	-	67.4
Ireland	(I£)	0.9823	+0.0005	815 - 830	0.9830	0.9803	0.9818	0.6	0.9806	0.7	0.9681	0.6	99.5
Italy	(L)	2357.14	-11.05	526 - 899	2365.84	2353.73	2362.89	-2.9	2372.54	-2.6	2405.04	-2.0	78.0
Luxembourg	(LFr)	47.2907	-0.0083	458 - 355	47.3410	47.1440	47.1957	2.4	47.0057	2.4	46.2207	2.3	107.3
Netherlands	(Fl)	2.5734	-0.0005	721 - 747	2.5773	2.5572	2.5673	2.8	2.5583	2.6	2.5076	2.6	107.8
Norway	(NKr)	9.9090	-0.0072	048 - 133	9.9587	9.8577	9.9004	1.0	9.8854	1.0	9.7999	1.1	96.8
Portugal	(Es)	236.064	-0.257	934 - 195	237.336	235.741	236.489	-2.2	237.394	-2.3	-	-	95.8
Spain	(Pta)	195.632	-0.097	537 - 728	195.978	194.998	195.893	-1.6	196.408	-1.6	197.808	-1.1	80.2
Sweden	(SKr)	10.2300	-0.0561	224 - 376	10.2781	10.2243	10.2303	0.0	10.2294	0.0	10.2294	0.0	89.2
Switzerland	(SFr)	1.8696	+0.0006	688 - 707	1.8718	1.8604	1.8648	3.2	1.8539	3.4	1.8058	3.4	112.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.7
Ecu	-	1.2192	-0.0002	186 - 197	1.2212	1.2174	1.2179	1.3	1.2149	1.4	1.2016	1.4	-
SDR†	-	1.083100	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5550	-	544 - 556	1.5584	1.5542	-	-	-	-	-	-	-
Brazil	(R$)	1.5739	+0.0007	732 - 746	1.5788	1.5698	-	-	-	-	-	-	-
Canada	(C$)	2.1376	-0.0024	365 - 386	2.1425	2.1366	2.1369	0.4	2.1332	0.8	2.1252	0.6	83.5
Mexico	(New Peso)	11.7775	-0.051	702 - 848	11.8203	11.7702	-	-	-	-	-	-	-
USA	($)	1.5572	+0.0001	567 - 576	1.5584	1.5542	1.5566	0.3	1.5567	0.1	1.559	-0.1	95.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0167	+0.0019	154 - 179	2.0179	2.0057	2.0192	-1.5	2.0243	-1.5	2.0495	-1.6	90.1
Hong Kong	(HK$)	12.0439	+0.0022	395 - 480	12.0604	12.0205	12.0357	0.8	12.0241	0.7	12.0043	0.3	-
India	(Rs)	55.2789	-0.0761	222 - 284	55.5360	55.4480	-	-	-	-	-	-	-
Israel	(Shk)	4.8951	-0.0177	886 - 005	4.9109	4.8898	-	-	-	-	-	-	-
Japan	(Y)	166.234	+0.052	115 - 352	167.290	165.490	165.509	5.2	164.019	5.3	157.804	5.2	135.8
Malaysia	(M$)	3.8943	-0.0016	924 - 962	3.8981	3.8769	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2807	+0.0225	792 - 822	2.2822	2.2632	2.2857	-2.6	2.2962	-2.5	2.329	-2.1	108.8
Philippines	(Peso)	40.7896	-0.0142	233 - 558	40.8558	40.7233	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8401	+0.0002	381 - 421	5.8482	5.8293	-	-	-	-	-	-	-
Singapore	(S$)	2.2018	+0.0014	004 - 032	2.2041	2.1969	-	-	-	-	-	-	-
South Africa	(R)	7.0150	-0.0037	052 - 248	7.0455	6.9852	-	-	-	-	-	-	-
South Korea	(Won)	1266.20	+0.43	575 - 864	1267.95	1262.79	-	-	-	-	-	-	-
Taiwan	(T$)	42.8497	+0.0014	295 - 698	42.9038	42.7763	-	-	-	-	-	-	-
Thailand	(Bt)	39.3259	+0.0013	989 - 528	39.3870	39.2620	-	-	-	-	-	-	-

† Rates for Jul 31. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.3700	+0.0067	676 - 724	10.3840	10.3450	10.3505	2.3	10.3085	2.4	10.126	2.4	105.6
Belgium	(BFr)	30.3700	-0.005	500 - 900	30.4150	30.2970	30.315	2.2	30.2	2.2	29.66	2.3	107.0
Denmark	(DKr)	5.6945	+0.0026	939 - 950	5.7025	5.6811	5.6874	1.8	5.6704	1.7	5.6014	1.6	107.8
Finland	(FM)	4.4064	-0.0009	988 - 919	4.4355	4.4140	4.4029	1.7	4.4700	1.8	4.4254	1.4	84.3
France	(FFr)	5.0022	+0.0045	017 - 027	5.0124	4.9911	4.9953	1.7	4.981	1.7	4.9132	1.8	109.8
Germany	(DM)	1.4736	+0.0008	733 - 739	1.4761	1.4698	1.4711	2.0	1.4665	2.2	1.4371	2.5	109.1
Greece	(Dr)	236.070	+0.32	970 - 170	236.220	235.870	236.745	-3.6	240.095	-3.8	254.07	-8.1	67.3
Ireland	(I£)	1.6183	-0.0007	175 - 190	1.6223	1.6155	1.6189	-0.4	1.6198	-0.4	1.6113	0.4	-
Italy	(L)	1513.75	-7.15	300 - 450	1521.50	1511.27	1518.5	-3.8	1526.65	-3.4	1548.4	-2.4	75.0
Luxembourg	(LFr)	30.3700	-0.005	500 - 900	30.4150	30.2970	30.317	2.1	30.2105	2.1	29.73	2.1	107.0
Netherlands	(Fl)	1.6527	-0.0003	523 - 530	1.6557	1.6495	1.6494	2.4	1.6422	2.5	1.6105	2.6	107.1
Norway	(NKr)	6.3635	-0.0053	605 - 665	6.3950	6.3311	6.3606	0.6	6.353	0.5	6.3195	0.7	98.1
Portugal	(Es)	151.600	-0.17	550 - 650	152.520	151.280	151.915	-2.5	152.505	-2.4	154.85	-2.0	95.5
Spain	(Pta)	125.635	-0.08	610 - 660	125.990	125.200	125.885	-2.4	126.315	-2.2	127.855	-1.8	79.9
Sweden	(SKr)	6.5697	-0.0382	667 - 727	6.6063	6.5585	6.5686	0.2	6.5712	-0.1	6.5462	0.4	112.7
Switzerland	(SFr)	1.2006	+0.0006	005 - 010	1.2032	1.1965	1.1973	3.5	1.1898	3.7	1.1583	3.7	112.7
UK	(£)	1.5572	+0.0001	567 - 576	1.5584	1.5542	1.5568	0.3	1.5567	0.1	1.559	-0.1	84.2
Ecu	-	1.2773	+0.0001	770 - 775	1.2794	1.2743	1.2781	-0.7	1.2797	-0.8	1.2886	-0.9	-
SDR†	-	0.68230	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	0.9989	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	1.0106	+0.0005	105 - 108	1.0140	1.0103	-	-	-	-	-	-	-
Canada	(C$)	1.3728	-0.0016	725 - 730	1.3759	1.3725	1.3726	0.1	1.3729	0.0	1.3757	-0.2	82.7
Mexico	(New Peso)	7.5635	-0.033	610 - 660	7.5720	7.5610	7.725	-25.6	7.91	-18.3	8.6735	-27.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.6
Pacific/Middle East/Africa													
Australia	(A$)	1.2950	+0.0012	947 - 955	1.2955	1.2940	1.297	-1.9	1.3005	-1.7	1.3192	-1.9	91.5
Hong Kong	(HK$)	7.7345	+0.0012	340 - 350	7.7350	7.7337	7.7352	-0.1	7.737	-0.1	7.754	-0.4	-
India	(Rs)	35.5000	-0.05	500 - 500	35.7000	35.3500	35.65	-5.1	35.955	-5.1	37.425	-5.4	-
Israel	(Shk)	3.1436	-0.0115	410 - 462	3.1554	3.1404	-	-	-	-	-	-	-
Japan	(Y)	106.755	+0.03	710 - 800	107.490	106.380	106.31	5.0	105.41	5.0	101.67	4.8	135.9
Malaysia	(M$)	2.4845	-0.001	840 - 850	2.4850	2.4800	2.4854	-0.4	2.5018	-1.1	2.525	-1.2	-
New Zealand	(NZ$)	1.4646	+0.0143	641 - 652	1.4652	1.4535	1.4677	-2.5	1.4735	-2.4	1.4981	-2.3	-
Philippines	(Peso)	26.1950	-0.01	600 - 300	26.2300	26.1800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4140	+0.0009	135 - 145	1.4145	1.4133	1.4104	3.0	1.4044	2.7	1.379	2.5	-
South Africa	(R)	4.5050	-0.0025	000 - 100	4.5300	4.4870	4.5525	-12.7	4.6425	-12.2	4.98	-10.5	-
South Korea	(Won)	813.150	+0.25	100 - 200	814.000	813.100	-	-	-	-	-	-	-
Taiwan	(T$)	27.5180	-	130 - 230	-	-	27.523	-0.2	27.528	-0.1	-	-	-
Thailand	(Bt)	25.2550	-	450 - 650	25.2650	25.2440	25.3537	-4.7	25.5575	-4.8	26.44	-4.7	-

† SDR rate per $ for Jul 31. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 31: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

August 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅛	3⅛	3 1/16	3¼	7.00	2.50	-
week ago	3¼	3⅛	3⅛	3 1/16	3 5/16	7.00	2.50	-
France	3⅝	3 13/16	3¾	3 15/16	4 1/16	3.55	-	5.60
week ago	3¾	3 13/16	3¾	3 15/16	3 15/16	3.55	-	5.60
Germany	3¼	3¼	3⅜	3⅜	3 7/16	4.50	2.50	3.30
week ago	3¼	3¼	3¼	3 5/16	3 13/16	4.50	2.50	3.30
Ireland	5⅜	5½	5½	5 11/16	5 15/16	-	-	6.25
week ago	5⅜	5½	5½	5¾	5 13/16	-	-	6.25
Italy	8 13/16	8¾	8 11/16	8 11/16	8⅜	-	8.25	8.73
week ago	8 13/16	8¾	8 7/16	8¼	8⅜	-	8.25	8.85
Netherlands	2 13/16	2 13/16	3⅛	3¼	3½	-	3.00	3.30
week ago	2 13/16	2 13/16	3	3⅛	3 7/16	-	3.00	3.30
Switzerland	2⅜	2¼	2 7/16	2½	2⅝	5.00	1.50	-
week ago	1⅞	2¼	2½	2 7/16	2 11/16	5.00	1.50	-
US	5⅛	5 7/16	5⅝	5¾	6 3/16	-	5.00	-
week ago	5⅛	5 7/16	5⅝	5¾	6¼	-	5.00	-
Japan	½	½	⅝	⅝	1⅛	-	0.50	-
week ago	½	½	⅝	¾	1 1/16	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 7/16	5 9/16	5 13/16	6⅛	-	-	-
week ago	-	5 7/16	5⅝	5 15/16	6⅜	-	-	-
US Dollar CDs	-	5.24	5.37	5.48	5.76	-	-	-
week ago	-	5.24	5.34	5.47	5.76	-	-	-
ECU Linked Ds	-	4 5/16	4¼	4 3/16	4⅛	-	-	-
week ago	-	4 5/16	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3¼	3¼	3 5/16	3⅜	-	-	-
week ago	-	3¼	3 5/16	3½	3 13/16	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 11/16 - 3 9/16	3 11/16 - 3 9/16	3⅜ - 3¼	3⅜ - 3¼	3 7/16 - 3 5/16	3⅝ - 3½
Danish Krone	4¼ - 4	3⅞ - 3 13/16	3⅞ - 3¾	4 - 3⅞	4 1/16 - 3 15/16	4 5/16 - 4 3/16
D-Mark	3⅜ - 3¼	3 7/32 - 3 5/32	3⅜ - 3¼	3⅜ - 3¼	3 7/16 - 3 5/16	3 11/16 - 3 9/16
Dutch Guilder	2⅞ - 2¾	2 29/32 - 2 27/32	3 - 2 29/32	3⅛ - 3 1/32	3¼ - 3⅛	3½ - 3⅜
French Franc	3⅝ - 3½	3 31/32 - 3 29/32	3 31/32 - 3 27/32	3¾ - 3 21/32	3 29/32 - 3 27/32	4 1/32 - 3 29/32
Portuguese Esc.	7 13/16 - 7 11/16	7 13/16 - 7 11/16	7 7/16 - 7⅜	7⅜ - 7 9/32	7 11/16 - 7¼	7 9/16 - 7¼
Spanish Peseta	7½ - 7¼	7 7/16 - 7 5/16	7½ - 7 13/32	7⅜ - 7 9/32	7 5/16 - 8 3/16	7¼ - 7⅛
Sterling	5⅞ - 5¾	5 13/16 - 5 11/16	5 13/16 - 5 23/32	5 27/32 - 5 25/32	5 15/16 - 5¾	6 3/16 - 5 15/16
Swiss Franc	2⅛ - 2	2¼ - 2⅛	2⅜ - 2¼	2½ - 2⅜	2 9/16 - 2 7/16	2¾ - 2⅝
Can. Dollar	4 11/16 - 4½	4½ - 4 5/16	4 7/16 - 4 5/16	4 9/16 - 4 7/16	4 15/16 - 4 13/16	5⅛ - 5
US Dollar	5½ - 5⅜	5 9/16 - 5 7/16	5 7/16 - 5¼	5⅝ - 5½	5 15/16 - 5⅝	6⅛ - 5 15/16
Italian Lira	9¼ - 8 15/16	8⅞ - 8¾	8 11/16 - 8 9/16	8 9/16 - 8 7/16	8½ - 8 13/16	8 11/16 - 8¼
Yen	½ - ⅜	7/16 - 11/32	7/16 - 5/16	⅝ - ½	¾ - ⅝	1 1/16 - 1 1/16
Asian $Sing	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3⅝ - 3½

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est vol	Open int.
Sep	96.08	96.05	-	96.09	96.03	15,362	58,040
Dec	95.97	95.96	-	95.98	95.95	6,264	51,081
Mar	95.85	95.84	+0.01	95.87	95.82	1,930	31,290

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.67	96.69	+0.02	96.70	96.66	23006	169102
Dec	96.60	96.64	+0.03	96.65	96.58	34483	223841
Mar	96.35	96.40	+0.04	96.42	96.32	30372	191309
Jun	96.03	96.09	+0.05	96.10	96.00	21315	123907

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.58	91.63	+0.06	91.64	91.51	12791	57535
Dec	92.04	92.07	+0.06	92.09	91.96	9436	39603
Mar	92.22	92.25	+0.06	92.26	92.16	1527	22318
Jun	92.24	92.27	+0.07	92.27	92.19	941	13111

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.51	97.55	+0.03	97.57	97.50	8111	29651
Dec	97.41	97.45	+0.04	97.47	97.39	3695	26672
Mar	97.20	97.24	+0.04	97.25	97.18	1141	10824
Jun	96.92	96.95	+0.02	96.96	96.91	321	2602

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.17	-0.02			0	n/a
Dec	98.84	98.88	-0.01	98.88	98.83	1720	n/a
Mar		98.80	-0.01			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.57	95.60	+0.03	95.60	95.56	1141	9383
Dec	95.54	95.59	+0.05	95.60	95.53	764	5878
Mar	95.39	95.45	+0.05	95.45	95.39	327	2828
Jun	95.15	95.21	+0.06	95.21	95.14	44	2818

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.75	16.47	4.853	2.034	4984	5.441	20.95	499.3	413.6	21.63	3.952	2.115	4.519	3.292	351.4	2.578
Denmark	(DKr)	53.33	10	8.783	2.588	1.085	2658	2.901	11.17	266.2	220.6	11.54	2.108	1.128	2.410	1.756	187.4	1.375
France	(FFr)	60.71	11.39	10	2.946	1.235	3026	3.303	12.72	303.1	251.1	13.13	2.400	1.284	2.744	1.999	213.4	1.565
Germany	(DM)	20.61	3.864	3.394	1	0.419	1027	1.121	4.318	102.9	85.23	4.458	0.814	0.436	0.931	0.678	72.42	0.531
Ireland	(I£)	49.16	9.218	8.097	2.386	1	2450	2.675	10.30	245.4	203.3	10.63	1.943	1.040	2.221	1.619	172.8	1.267
Italy	(L)	2.006	0.376	0.330	0.097	0.041	100.	0.109	0.420	10.02	8.299	0.434	0.079	0.042	0.091	0.066	7.051	0.052
Netherlands	(Fl)	18.38	3.447	3.027	0.892	0.374	916.1	1	3.851	91.76	76.02	3.976	0.726	0.389	0.831	0.605	64.59	0.474
Norway	(NKr)	47.72	8.949	7.861	2.316	0.971	2379	2.597	10	238.3	197.4	10.32	1.886	1.009	2.157	1.571	167.7	1.230
Portugal	(Es)	20.03	3.756	3.299	0.972	0.407	998.3	1.090	4.197	100.	82.85	4.333	0.792	0.424	0.905	0.659	70.39	0.516
Spain	(Pta)	24.18	4.534	3.982	1.173	0.492	1205	1.315	5.066	120.7	100.	5.230	0.956	0.511	1.093	0.796	84.97	0.623
Sweden	(SKr)	46.23	8.669	7.614	2.243	0.940	2304	2.515	9.686	230.8	191.2	10	1.827	0.978	2.089	1.522	162.5	1.192
Switzerland	(SFr)	25.30	4.745	4.167	1.228	0.515	1261	1.377	5.302	126.3	104.7	5.474	1	0.535	1.143	0.833	88.92	0.652
UK	(£)	47.29	8.868	7.789	2.295	0.962	2357	2.573	9.909	236.1	195.6	10.23	1.869	1	2.137	1.557	166.2	1.219
Canada	(C$)	22.13	4.150	3.645	1.074	0.450	1103	1.204	4.637	110.5	91.53	4.787	0.875	0.468	1	0.729	77.77	0.570
US	($)	30.37	5.696	5.003	1.474	0.618	1514	1.653	6.364	151.6	125.6	6.570	1.200	0.642	1.373	1	106.7	0.783
Japan	(Y)	28.45	5.336	4.687	1.381	0.579	1418	1.548	5.962	142.1	117.7	6.155	1.125	0.602	1.286	0.937	100.	0.733
Ecu		38.79	7.275	6.390	1.883	0.789	1934	2.111	8.129	193.7	160.5	8.392	1.533	0.820	1.753	1.277	136.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6803	0.6807	-0.0008	0.6812	0.6794	24,204	70,116
Dec	0.6842	0.6852	-0.0005	0.6852	0.6835	1,121	2,555
Mar	-	0.6907	-	-	-	19	633

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8367	0.8373	-0.0015	0.8379	0.8350	25,750	40,396
Dec	0.8424	0.8440	-0.0015	0.8440	0.8422	248	2,175
Mar	-	0.8595	-	-	-	4	86

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9426	0.9415	-0.0022	0.9458	0.9381	55,188	66,377
Dec	0.9557	0.9530	-0.0027	0.9570	0.9503	422	4,350
Mar	0.9638	0.9638	-	0.9640	0.9638	1	143

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5562	1.5566	+0.0020	1.5574	1.5556	9,958	51,855
Dec	1.5570	1.5580	+0.0028	1.5580	1.5564	25	1,175
Mar	-	1.5590	+0.0026	1.5590	-	1	6

UK INTEREST RATES

LONDON MONEY RATES

Aug 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 4½	5⅞ - 5⅜	5 13/16 - 5 11/16	5 13/16 - 5 11/16	5⅞ - 5¾	6⅛ - 6
Sterling CDs	-	-	5 23/32 - 5 21/32	5¾ - 5 11/16	5 27/32 - 5 11/16	5 15/16 - 5⅞
Treasury Bills	-	-	5 11/16 - 5 19/32	5⅝ - 5½	-	-
Bank Bills	-	-	5 11/16 - 5⅝	5⅝ - 5 9/16	5⅞ - 5 3/16	-
Local authority deps.	5 13/16 - 5 11/16	5¾ - 5⅝	5 23/32 - 5 21/32	5 23/32 - 5 21/32	5 13/16 - 5 11/16	6 1/16 - 5 15/16
Discount Market deps	6¼ - 5½	5 13/16 - 5 11/16	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Jul 26, 5.5143pc. ECGD fixed rate Stlg. Export Finance. Make up day Jul 31, 1996. Agreed rate for period Aug 26, 1996 to Sep 24, 1996, Schemes II & III 7.08pc. Reference rate for period Jun 29, 1996 to Jul 31, 1996, Schemes IV & V 5.811pc. Finance House Base Rate 6pc from Jul 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.24	94.26	+0.03	94.27	94.22	13392	80844
Dec	94.15	94.17	+0.04	94.19	94.13	13372	102649
Mar	93.89	93.93	+0.04	93.94	93.87	8660	66438
Jun	93.49	93.54	+0.05	93.56	93.48	2806	44910
Sep	93.07	93.12	+0.05	93.13	93.07	698	32137

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9425	0.08	0.14	0.16	0.07	0.22	0.48
9450	0.02	0.05	0.09	0.26	0.38	0.66
9475	0	0.02	0.04	0.49	0.60	0.86

Est. vol. total, Calls 444 Puts 2980. Previous day's open int., Calls 132744 Puts 118355

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	Royal Bk of Scotland	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	•Singer & Friedlander	5.75
AIB Bank	5.75	Financial & Gen Bank	7.00	•Smith & Williamson Secs	5.75
•Henry Ansbacher	5.75	•Robert Fleming & Co	5.75	Scottish Widows Bank	5.75
Bank of Baroda	5.75	Girobank	5.75	TSB	5.75
Banco Bilbao Vizcaya	5.75	•Guinness Mahon	5.75	United Bank of Kuwait	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Unity Trust Bank Plc	5.75
Bank of Ireland	5.75	•Hambros Bank	5.75	Western Trust	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Whiteaway Laidlaw	5.75
Bank of Scotland	5.75	•Hill Samuel	5.75	Yorkshire Bank	5.75
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
•Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
Citibank NA	5.75	•Leopold Joseph & Sons	5.75		
Clydesdale Bank	5.75	Lloyds Bank	5.75		
The Co-operative Bank	5.75	Meghraj Bank Ltd	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	* Mount Credit Corp	6.00		
Cyprus Popular Bank	5.75	NatWestminster	5.75		
		•Rea Brothers	5.75		

• Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Aug 1.	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.13445	+0.00022	-0.82	1.74	6
Belgium	39.3960	39.2137	+0.0178	-0.46	1.38	3
Germany	1.91007	1.90246	+0.00089	-0.40	1.31	4
Austria	13.4383	13.3889	+0.0061	-0.37	1.28	3
Spain	162.493	162.351	+0.029	-0.09	0.99	1
Portugal	195.792	195.807	-0.212	0.01	0.90	-0
Ireland	0.792214	0.797480	-0.00081	0.66	0.24	-4
France	6.40608	6.46154	+0.00566	0.87	0.04	-7
Denmark	7.28580	7.35161	+0.00306	0.91	0.00	-6
NON ERM MEMBERS						
Greece	292.867	303.594	+0.249	3.66	-2.66	-
Italy	2106.15	1959.62	-6.08	-6.96	8.45	-
UK	0.786652	0.829045	-0.001202	5.39	-4.25	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	Sep	Oct	PUTS Aug	Sep	Oct
1.530	2.52	2.78	-	0.03	0.32	0.61
1.540	1.72	2.09	2.44	0.14	0.57	0.92
1.550	1.02	1.47	1.84	0.43	0.95	1.32
1.560	0.51	0.97	1.35	0.97	1.46	1.82
1.570	0.20	0.60	0.95	1.66	2.08	2.42

Previous day's vol., Calls 5,409 Puts 5,390. Prev. day's open int., Calls 181,604 Puts 141,648

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.22	94.22	-	94.24	94.21	49,862	397,038
Dec	93.92	93.91	-	93.92	93.87	91,589	446,743
Mar	93.77	93.76	-	93.78	93.73	84,169	278,776

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.73	94.73	-	94.74	94.73	287	7,590
Dec	94.52	94.52	-	94.52	94.52	118	1,741
Mar	-	94.37	-	-	-	9	401

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
9650	0.20	0.22	0.21	0.24	0.01	0.03	0.07	0.10
9675	0.03	0.06	0.08	0.11	0.09	0.12	0.19	0.22
9700	0	0.01	0.03	0.04	0.31	0.32	0.39	0.40

Est. vol. total, Calls 7505 Puts 9136. Previous day's open int., Calls 324652 Puts 307124

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9775	0.04	0.08	0.09	0.24	0.38	0.50
9800	0.01	0.03	0.04	0.46	0.58	0.80

Est. vol. total, Calls 529 Puts 0. Previous day's open int., Calls 9898 Puts 5852

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9150	0.24	0.66	0.92	0.11	0.11	0.17
9175	0.11	0.50	0.73	0.23	0.18	0.23
9200	0.05	0.35	0.57	0.43	0.28	0.32

Est. vol. total, Calls 695 Puts 570. Previous day's open int., Calls 67472 Puts 29386

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 02.08.96 Pool purchase price £/MWh	Final Prices for Trading on 05.07.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.02	12.25	13.36
0100	8.97	12.03	13.15
0130	8.91	12.03	13.15
0200	8.91	12.03	13.15
0230	8.91	12.03	13.15
0300	8.91	12.03	13.15
0330	8.91	12.03	13.15
0400	8.91	12.03	13.15
0430	8.91	12.03	13.15
0500	8.91	8.94	8.94
0530	8.97	11.40	12.52
0600	8.95	11.40	12.52
0630	8.96	11.40	12.52
0700	9.04	16.52	17.64
0730	13.17	16.98	18.12
0800	16.29	18.42	18.77
0830	18.99	18.47	21.17
0900	19.08	23.51	36.04
0930	19.22	27.89	37.34
1000	19.30	30.88	35.11
1030	19.30	46.43	51.14
1100	19.25	47.15	52.04
1130	19.22	41.77	48.74
1200	19.22	41.88	48.61
1230	19.17	51.64	55.93
1300	19.12	48.22	51.60
1330	18.15	24.37	26.75
1400	18.11	22.51	24.34
1430	17.64	19.45	21.10
1500	17.63	18.96	20.49
1530	17.62	18.74	20.21
1600	16.66	18.82	20.32
1630	18.51	19.38	21.08
1700	19.36	22.86	24.61
1730	19.35	22.49	24.10
1800	19.35	18.14	19.50
1830	19.34	17.68	18.84
1900	18.04	17.13	18.25
1930	15.22	17.10	18.22
2000	13.17	16.95	18.06
2030	8.91	16.78	17.87
2100	8.91	16.76	17.81
2130	25.67	16.76	17.87
2200	28.77	21.69	22.80
2230	28.77	21.69	22.80
2300	28.77	21.69	22.80
2330	8.91	16.12	17.23
2400	8.91	16.12	17.23

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved two places to the left. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6788 between 8.30am and 5.15pm Monday to Friday.
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COMMODITIES AND AGRICULTURE

Diamond cartel problems spark Indian 'breakdown'

By Bernard Simon in Toronto

The Indian diamond cutting industry had been in "a state of collective nervous breakdown" since Argyle of Australia, the world's biggest diamond mine, left the cartel organised by De Beers of South Africa, according to Mr George Burne, a De Beers' director.

Argyle is the biggest producer of small, cheap rough diamonds of the type cut by the Indian industry. Mr Burne said prices of these diamonds had fallen by up to 30 per cent "if you can find a buyer at all". He estimated that the Indian industry had suffered stock losses of $300-500m.

Mr Burne made his comments when launching what is likely to be an arduous campaign by De Beers aimed at persuading new diamond producers in Canada to market their output through its Central Selling Organisation, the London based cartel that controls about three quarters of the rough diamond market.

The initial target is BHP, Australia's biggest group, which is expected soon to start construction of Canada's first diamond mine, near Lac de Gras in the Northwest Territories.

Kennecott, a subsidiary of RTZ-CRA, the Anglo-Australian mining group, is involved in another promising property close by. RTZ-CRA is also part-owner and operator of the Argyle diamond mine.

Emphasising the effort put in by the CSO to maintain global diamond market stability, Mr Burne revealed that last year the organisation mopped up about US$500m of stones pouring out of Angola where civil war had disrupted orderly marketing arrangements. He estimated total output in Angola was worth $700m.

Mr Burne made his comments during one of several lunch-time presentations De Beers this week organised for nearly 100 analysts and mining executives in Toronto and Vancouver. Mr Burne told the Toronto group he was not confident at this stage that BHP would agree to channel sales through the CSO.

The Lac de Gras mine, which will come on stream at the earliest in the second half of 1998, is expected to produce a relatively high proportion of gem diamonds.

BHP has held exploratory talks with De Beers, but a BHP official said "we're continuing to watch the market and to explore all avenues available to us". A decision whether or not to join the CSO will probably be taken about a year before the mine begins production.

Mr Burne, who appeared unaccustomed to the slick presentations typically put on by North American companies, said "diamond prices are naturally erratic, very much influenced by sentiment, and it is only the disciplines of CSO pricing which bring some order to the situation".

Mr Lou Clements, who heads De Beers' $200m-a-year advertising account at J Walter Thompson, pointed to the company's heavy investment in advertising and publicity on behalf of diamond producers.

He said De Beers launched campaigns for the first time last year in Saudi Arabia, Kuwait, Oman, the United Arab Emirates, Turkey, India and Pakistan.

De Beers has been active for many years in diamond exploration in Canada through a subsidiary known as Monopros. So far, however, it has had little success.

Until the recent Northwest Territories diamond stampede Monopros generally worked independently, rather than teaming up with the entrepreneurial junior exploration companies that are a feature of Canada's mining scene.

Impala Platinum strike 'largely tactical'

By Mark Ashurst

Impala Platinum, controlled by South Africa's Gencor, said yesterday that its entire workforce of 25,000 had gone on strike, bringing all its mine and smelter operations to a halt.

But analysts dismissed the industrial action, in support of the National Union of Mineworkers' demand for a 9.5 per cent pay rise, as largely tactical. Negotiations with Impala are expected to resume this week, and the company has indicated that it may reconsider its preliminary pay offer of 7.44 per cent.

Market sentiment was further buoyed by a report this week from the New York-based CPM metals consultancy, which dismissed speculation that the platinum stockpile controlled by the Russian Central government had dwindled.

Mr David Emmett, commercial director of Anglo American Platinum Corporation, agreed that reports of a world platinum shortage were unfounded, but predicted some tightening of supply in the wake of last month's Amplats stoppage, which resulted in it dismissing the entire workforce at its Rustenburg mine, the world's largest producer of the white metal. Lost production as a result of the wild cat strike amounted to about 97,000 ounces and could not be made up.

The current supply surplus, estimated at 190 000 ounces last year, was set to decline, and traders would experience more difficulties in sourcing the metal, he said.

Shares of Amplats yesterday gained 80 cents on the Johannesburg Stock Exchange after reporting a strong performance for the year to June.

Its shares closed at R29.50 after heavy trade yesterday, as the market reacted to a preliminary announcement of a 20 per cent rise in net income after tax to R319.5m. Earnings per share increased 19 per cent to 190.3 cents a share. The total dividend for the year was 120 cents, up from 80 cents.

The wild cat strike at Rustenburg mine, which led to the dismissal of 28,000 workers, occurred in the first month of the new financial year and did not affect the 1996 results.

Mr Leslie Boyd, chairman, forecast "similar" earnings this year, but warned it was "still too early" to assess the impact of the stoppage on this year's production.

The mine was "close to returning to full production[although] the industrial relations climate remains volatile", he said.

Rustenburg posted a net profit of R531m (R542.2m).

CBoT members vote to continue overnight trading

By Laurie Morse in Chicago

The Chicago Board of Trade's grain markets moved a step closer to globalisation on Wednesday when members voted to offer the exchange's maize, soyabean and wheat futures contracts on an overnight computer trading system. The contracts have been trading overnight on an experimental basis on the CBoT's Project A system since February.

"I am pleased our membership voted in favour of continuing trading access to our agricultural markets via Project A," said Mr Patrick Arbor, the CBoT's Chairman.

"They have acknowledged the growth potential that free trade agreements will bring to domestic and foreign agricultural markets. Our members have recognised the need to stay ahead of growing foreign competition and increase market accessibility for our customers."

For nearly two centuries the CBoT has been the principal market for grain futures and options trading. However, in the past decade the Tokyo Commodity Exchange on some occasions has overtaken its volume in maize futures, and in the past year, both the Matif in Paris and the Sydney Futures Exchange in Australia have opened new wheat futures markets. Overnight trading in grain on Project A has been very light – volume during the 10:30pm to 4:30am (central time) sessions was only 33,000 contracts in July, representing about 1 per cent of overall agricultural trading at the exchange - but it serves a useful purpose, according to Ms Diane Klemme, an executive at Atlanta-based Grain Services Corporation, and a member of the CBoT's agricultural advisory committee.

"What Project A does is provide market access at all hours, and market access is increasingly important as the world changes and becomes increasingly global," Klemme said.

Since open outcry trading in Chicago lasts only five hours, the bulk of international cash grain trading happens when futures pits are closed. This leaves domestic grain elevators and foreign buyers with little information about market levels for much of the day.

Project A "has been extremely useful to us in determing what price to pay producers before the [futures] market opens," says Mr Nick Huston, manager of the Colusa Elevator in Wever, Iowa. "Pricing grain is more of an art than a science, and before Project A, we couldn't be sure we were offering producers a fair price until the trading floor opened. Now, we look where the market ended overnight on Project A, and bid for grain at those levels."

Mr Ed Ziecina, head of Fimat's futures and options dealing room in Chicago, said he has not noticed agricultural orders originating from Europe on Project A, but that there has been "decent" activity from Japan. "Tokyo traders are still cautious – they're waiting to see if the market develops. I'm sure we'll see more business down the line."

Ms Klemme said Project A was only one step toward globalising the CBoT's agricultural complex. "We have to take many different approaches, including direct links with other exchanges, to remain competitive," she said.

Explosion cripples a third of Mexico's gas processing capacity

By Leslie Crawford in Mexico City

A huge explosion at one of Mexico's largest gas complexes last Friday has temporarily crippled one-third of the country's gas processing capacity, caused the reduction of gas supplies to important industrial clients and forced the import of $700,000 of gas products a day, according to Mr Adrián Lajous, head of Petróleos Mexicanos, the state oil monopoly.

Of the five gas plants at the Cactus complex in the southern state of Chiapas – one of the largest gas processing facilities in the world – the two largest were almost certainly complete write-offs, Mr Lajous said this week.

"The old-timers in Pemex do not remember an accident of this magnitude," he added.

The explosions were caused by a liquid gas leak, which Mr Lajous blamed on human error. He ruled out sabotage. "One plant was completely destroyed. We are having discussions with engineers to decide whether some equipment can be salvaged from a second damaged plant," Mr Lajous said.

Pemex says the plants were worth between $60m to $80m each. Insurance loss adjusters are working to determine the cost of the damage.

Immediately after the explosions, said Mr Lajous, the company began flaring large amounts of gas, "close to 1bn cubic feet per day", at Pemex's off-shore oil fields. He said natural gas production in the second half of the year would be constrained by the company's reduced processing capacity.

The accident, in which six people died, has dealt a blow to Pemex's ambitions to continue expanding its natural gas output. In the first half of 1996, production rose to 4,276m cubic feet a day, a 16.8 per cent increase over the same period in 1995. It may also affect the Mexican government's efforts to attract private sector investment into the electricity sector. Most of the power projects being tendered are for gas-fired electricity plants, which has led foreign investors to question the reliability of Pemex's natural gas supplies.

Mr Lajous said he expected the remaining three plants at the Cactus complex to resume operations by the weekend. In the meantime, Pemex had dramatically curtailed its own consumption of natural gas – particularly at its propylene and ammonia petrochemical facilities – Mr Lajous said.

The Federal Electricity Commission, which runs Mexico's power stations, had been asked to boost hydro-electric production or switch to fuel oil in plants with double firing capacity.

"We also asked six big customers, mainly steel plants, to curtail their use of natural gas last weekend," Mr Lajous said.

Newspaper reports, quoting the recommendations of external oil consultants, blamed neglect of maintenance for the accident. Mr Lajous said he was satisfied with Pemex's allocation of resources for maintenance, but he admitted the quality and effectiveness of that expenditure was harder to appraise.

Pemex yesterday reported its crude oil output rose to 2.85m barrels day in the first half of 1996, against 2.67m b/d in the same period of 1995.

Crude oil exports averaged 1.54m b/d in the first half of 1996.

The most significant increases in production came in the natural gas division, where output rose to 4,276m cu ft a day, a 16.5 per cent increase over the same period in 1995. Natural gas output is expected to fall following the explosions at the Cactus complex.

Pemex's sales totalled $13.4bn in the first half of 1996. The company posted a pre-tax profit of $10.06bn (up 21 per cent over the first half of 1995), which was whittled down to a net income of 1.45bn after taxes and royalties were paid to the government.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1490.5-91.5	1525-26
Previous	1495.5-96.5	1530-31
High/low	1487/1488.5	1530/1520.5
AM Official	1485-85.5	1520.5-21.0
Kerb close		1522-22.5
Open int.	230,075	
Total daily turnover	45,743	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1265-70	1300-303
Previous	1265-70	1302-05
High/low	1265	1305/1300
AM Official	1260-65	1300-303
Kerb close		1298-303
Open int.	5,018	
Total daily turnover	1,004	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	801-802	806-807
Previous	808.5-7.5	810-11
High/low		810/803
AM Official	803-804	808.5-809
Kerb close		802.5-3.5
Open int.	31,189	
Total daily turnover	7,056	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6895-905	7010-15
Previous	6855-65	6975-80
High/low		7065/6980
AM Official	6890-900	7005-10
Kerb close		7005-10
Open int.	40,829	
Total daily turnover	8,378	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6170-80	6235-40
Previous	6090-95	6160-61
High/low	6180	6250/6190
AM Official	6170-80	6230-35
Kerb close		6215-20
Open int.	16,787	
Total daily turnover	5,649	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1019-20	1045-46
Previous	1021.5-22.5	1048-49
High/low	1020.5	1052/1042
AM Official	1021-21.5	1048-49
Kerb close		1042-43
Open int.	64,858	
Total daily turnover	13,494	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2060-63	1960-61
Previous	2045-50	1956-58
High/low		1970/1952
AM Official	2053-55	1961-62
Kerb close		1952-53
Open int.	226,823	
Total daily turnover	53,068	

■ LME AM Official £/$ rate: 1.5563
LME Closing £/$ rate: 1.5595
Spot: 1.5576 3 mths: 1.5571 6 mths: 1.5561 9 mths: 1.5550

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	385.30-385.70		
Opening	385.60-387.00		
Morning fix	385.85	248.234	484.444
Afternoon fix	386.25	247.834	481.782
Day's High	386.80-387.20		
Day's Low	385.10-385.50		
Previous close	385.20-385.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.51	6 months	4.13
2 months	4.44	12 months	4.08
3 months	4.44		

Silver Fix	p/troy oz.	US cts equiv.
Spot	330.90	515.00
3 months	335.20	521.50
6 months	339.15	528.00
1 year	348.10	542.40

Gold Coins	$ price	£ equiv.
Krugerrand	385-388	247-249
Maple Leaf	395.65-398.15	
New Sovereign	90-93	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

	Close	Prev
BFI	[illegible]	[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Jul 31	[illegible]	[illegible]
Daily	[illegible]	[illegible]

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Jul 31		
Comp. daily	[illegible]	[illegible]
15 day average	[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1500	[illegible]	[illegible]	[illegible]	[illegible]
1550	[illegible]	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]	[illegible]
■ COPPER (Grade A) LME	**Sep**	**Dec**	**Sep**	**Dec**
1900	[illegible]	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]	[illegible]
■ COFFEE LCE	**Sep**	**Nov**	**Sep**	**Nov**
1600	[illegible]	[illegible]	[illegible]	[illegible]
1650	[illegible]	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]	[illegible]
■ COCOA LCE	**Sep**	**Dec**	**Sep**	**Dec**
950	[illegible]	[illegible]	[illegible]	[illegible]
975	[illegible]	[illegible]	[illegible]	[illegible]
1000	[illegible]	[illegible]	[illegible]	[illegible]
■ BRENT CRUDE IPE	**Aug**	**Sep**	**Aug**	**Sep**
1850	[illegible]	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]	[illegible]
1950	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

		+or-
Dubai	[illegible]	[illegible]
Brent Blend (dated)	[illegible]	[illegible]
Brent Blend (Sep)	[illegible]	[illegible]
W.T.I.	[illegible]	[illegible]
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	[illegible]	[illegible]
Gas Oil	[illegible]	[illegible]
Heavy Fuel Oil	[illegible]	[illegible]
Naphtha	[illegible]	[illegible]
Jet fuel	[illegible]	[illegible]
Diesel	[illegible]	[illegible]
■ NATURAL GAS (Pence/therm)		
Bacton (Sep)	[illegible]	[illegible]
■ OTHER		
Gold (per troy oz)	[illegible]	[illegible]
Silver (per troy oz)	[illegible]	[illegible]
Platinum (per troy oz.)	[illegible]	[illegible]
Palladium (per troy oz.)	[illegible]	[illegible]
Copper	[illegible]	[illegible]
Lead (US prod.)	[illegible]	[illegible]
Tin (Kuala Lumpur)	[illegible]	[illegible]
Tin (New York)	[illegible]	[illegible]
Cattle (live weight)	[illegible]	[illegible]
Sheep (live weight)	[illegible]	[illegible]
Pigs (live weight)	[illegible]	[illegible]
Lon. day sugar (raw)	[illegible]	[illegible]
Lon. day sugar (wte)	[illegible]	[illegible]
Barley (Eng. feed)	[illegible]	[illegible]
Maize (US No3 Yellow)	[illegible]	[illegible]
Wheat (US Dark North)	[illegible]	[illegible]
Rubber (Sep)	[illegible]	[illegible]
Rubber (Oct)	[illegible]	[illegible]
Rubber (KL RSS No1)	[illegible]	[illegible]
Coconut Oil (Phil)	[illegible]	[illegible]
Palm Oil (Malay.)	[illegible]	[illegible]
Copra (Phil)	[illegible]	[illegible]
Soyabeans (US)	[illegible]	[illegible]
Cotton Outlook 'A' Index	[illegible]	[illegible]
Wooltops (64s Super)	[illegible]	[illegible]

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Sep. y Jul/Aug. x Aug/Sep. v Aug. † London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 1,260 head of pigs sold.

FUTURES DATA

All futures data supplied by CMS.

Wool

Prices at the first Australian auctions to be held since the between-seasons recess showed very little change. The Eastern market indicator closed the week at 593 cents a kg, just 5 cents lower than on July 4. The small overall change conceals some slightly large ups and downs for various micron categories but the only tentative generalisation is that middle range merinos, 22, 23, and 24 micron, were cheaper while broader types were a little dearer. Holidays in wool using countries are nearing their end, and buying interest is consequently subdued throughout. The New Zealand market also failed to provide a clear lead, with some categories dearer and some cheaper, rarely more than 2% either way. The clearance in New Zealand was only 76%, whereas in Australia it was around 90%.

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 1	Jul 31	month ago	year ago
[illegible]	[illegible]	[illegible]	[illegible]

■ CRB Futures (Base: 1967=100)

Jul 31	Jul 30	month ago	year ago
[illegible]	[illegible]	na	na

■ GSCI Spot (Base: 1970=100)

Jul 31	Jul 30	month ago	year ago
[illegible]	[illegible]	[illegible]	[illegible]

JOTTER PAD

CROSSWORD

No.9,136 Set by BATS

ACROSS

1 County leader leaves for Italian region (6)
5 Political unrest caused by integration of Turkish and Russian capitals (8)
9 Princess with Italian leading light (6)
10 It closes off the end of spring or autumn (8)
12 Girl friend seen round university at regular intervals (8)
13 Name composer on the radio (6)
15 Fans of the elephant entertained by the Arsenal (4)
16 One or two points put over for a change (10)
19 Infantrymen resigned – Royal Artillery reformed (10)
20 Check loads on the way back (4)
23 Clasp and bend to breaking point (6)
25 Half of German car's income and trade (8)
27 It's profitable to review company income (8)
28 Design of a red hat (6)
29 He melted clocks in a few hydroxides (4,4)
30 Aggravate right joint (6)

DOWN

1 Shelter provided by bird holding dress up (7)
2 Where one may find a branch of intelligence in Essex? (9)
3 Air conditioning about to break down – it marks consistency of pressure (6)
5 Bird on board (4)
6 It's supra-ground (8)
7 One kept by the fat of the Scottish land he owns (5)
8 Illegal liquor store – did the lady go there? (7)
11 Female of easy virtue – female of easy virtue I grabbed (7)
14 Tennis player Chris likely to produce football side (7)
17 Link pieces etc, or link in pieces (9)
18 A birdie – one better requires low shot (5,3)
19 Foul bits – leg, gizzard and other fowl bits (7)
21 Exist prior to being spread around like blood (7)
22 A doctor brought up a live micro-organism (6)
24 String heard making notes together (5)
26 Flick a thin layer (4)

Solution 9,135

U	P	S	H	O	T		H	Y	A	C	I	N	T	H
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P	U	L	L	U	P		F	R	A	N	K	L	I	N
L		I		V		S		K		N		S		T
A	C	C	U	R	A	T	E		C	A	P	O	N	E
C		O		E		A		A		B		N		R
E	D	N	A		G	Y	M	S	L	I	P			
D		E		I		S		I		S		R		H
			A	G	R	O	U	N	D		T	U	N	A
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R	A	L	L	Y	I	N	G		S	T	U	P	I	D

صكنا من الاجل

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

Offshore Funds and Insurances

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	Selling Price	Buying Price	+ or -	Yield Gross
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Asn Gwth Fd	$10.6027	11.3047	—	-
Offshore Emerging Cos	$7.2788	7.7320	—	-
Offshore Far East Gwth Fd	$4.9334	5.2428	—	-
Offshore Intl Gwth Fd	$5.8040	6.2742	—	-
Offshore Japanese Gwth Fd	$1.2728	1.3527	—	-
Offshore UK Growth Fd	$3.7185	3.8517	—	-
Offshore Asn Smaller Mkts	$1.6765	1.7849	—	-
Offshore Latin Amer Growth	$1.0500	1.1168	—	-
Offshore European Gwth Fd	$2.5021	2.6590	—	-
Offshore Global Bond	$0.9801	1.0002	—	-
Offshore Global Bond Acc	$1.1371	1.1645	—	-
The Portugal Fund Limited				
Lloyds Bank International (Jersey) Limited				
NAV Jul 26		$7.12	—	-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£23.35	23.58xd	—	1.14
Lowes Aggressive Portfolio	£10.23	10.76	—	-
Lowes Defensive Pfolio	£11.74	12.33	—	-
Lowes Collective Pfolio Ltd	£11.1	11.64	—	-

For Schroeder Kemp Gee see Hambros

	Selling Price	Buying Price	+ or -	Yield Gross
TSB Fund Managers (CI) Ltd				
TSB Island Pension	705.7	743.0	+2.8	-
Island Equity Acc	123.2	129.6	+0.6	-
WMB Asset Management (Jersey) Ltd				
Fxs 500 Em Mkt Dollar Income	$1030.61	1060.75	+1.47	-
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd †	$257.44	258.74	+1.92	5.81
Excelle Global Eqty $ *	$77.55	77.95	—	-
Excelle Stlg Global Fund inc*	£11.74	11.81xd	—	4.93

Valued weekly * Mondays, † Wednesdays

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)
4 Rue Jean Monnet, L-2180 Luxembourg 352 424949320

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
E.T. Investment Management Ltd					
13 Rue Goethe, BP 413, Luxembourg 00 352 404646217					
Establishment Tst Jul 26		$2.48		-0.09	-
Eigistan Global SICAV (u)					
13 Rue Goethe, L-1637, Luxembourg 00 352 404646213					
Equity Portfolio Aug 1		$2.296		+0.026	-
Reserve Portfolio Aug 1		$2.076		+0.000	-
EquiFund-Wright National Eqty Fd (u) (x)					
14 rue Aldringen, L-1118 Lux 00 352 479 96500					
Australasian Nat		A$15.47	16.83	—	-
Austrian Nat Equity		Sch85.40	88.12	—	-
Belgium/Lux Nat. Eqty		BFr719	727	—	-
French Nat Equity		FFr126.61	128.97	—	-
German Nat Equity		DM17.12	17.30	—	-
Dutch Nat Equity		Dfl36.71	37.07	—	-
Italian Nat Equity		L11784	11882	—	-
Japanese Nat Equity		Y1341	1355	—	-
Hong Kong Nat Equity		HK$112.9	114.13	—	-
Spanish Nat Equity		Pta1157	1169	—	-
UK Nat Equity		£10.15	10.25	—	-
United States Dlr Res			$10.97	—	-
Fidelity Funds (u)					
Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174					
UK-01732 777377 Lux-00 352 2513 51230					
Major Market Funds					
America		$2.187		+0.029	-
Europe		DM4.592		+0.028	-
International		$15.78		+0.19	-
Japan		Y136.5		-0.4	-
Pacific		$8.964		+0.084	-
South East Asia		$2.627		+0.016	-
Country Select Funds					
ASEAN		$20.17		+0.03	-
Asian Special Situations		$10.22		+0.04	-
Australia		A$15.12		-0.34	-
Emerging Markets		$9.395		+0.059	-
European Sm Cos F		DM12.27		-0.02	-
France		FFr61.86		+0.52	-
Germany		DM19.40		+0.10	-
Hong Kong		$42.83		+0.29	-
Iberia		Pta1736		+16	-
Indonesia		$9.842		-0.004	-
Italy		L14167		+129	-
Japan Smlr Cos		Y1118		-8	-
Korea F		$9.509		+0.143	-
Latin America		$8.241		+0.128	-
Malaysia		$31.52		+0.17	-
Nordic		SKr161.9		+0.9	-
Singapore		$23.76		+0.32	-
Switzerland		SFr14.03		-0.03	-

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Manulife Regent Global Fund (u) (z)					
13 rue Goethe, L-1637 00 352 40 4646 237					
American Gth Fund		$0.7354		-0.0003	-
European Gth Fund		$5.1914		+0.0338	-
Global Resources Fund		$4.0314		-0.0059	-
Intl Growth Fund		$2.1462		+0.0175	-
Japanese Gth Fund		$2.3790		+0.0168	-
Pacific Basin Gth Fund		$3.3595		-0.0040	-
Reserve Fund		$2.2187		+0.0000	-
Tiger Fund		$2.1643		+0.0145	-
UK Gth Fund		$1.8888		-0.0052	-
Mercury Asset Management S.A.					
B.P. 1058, L-1010 Luxembourg 00 352 3420101					
Mercury Selected Tst-SICAV (u)					
Belgian Franc Global Bond		BFr1190	1212	+3.00	0.00
DM Global Bond		DM26.91	27.28	+0.06	4.03
Dollar Global Bond		$12.82	13.31	+0.04	4.07
Peseta Global Bond		Pta1430	1464	+5.00	0.00
Sterling Global Bond		£10.71	11.28	+0.03	3.90
Swiss Franc Global Bond		SFr105.88	107.25	+0.30	3.86
Yen Global Bond		$14.88	15.78	-0.07	3.01
European Bond		DM21.58	22.49	+0.09	4.45
Global Portfolio		$13.50	14.22	+0.09	0.00
Global Equity		$84.50	87.50	+0.43	0.00
Emerging Markets		$11.22	11.82	+0.07	0.00
Gold & Mining		$11.15	11.74	+0.15	0.00
Australian & New Zealand		$23.24	24.47	+0.25	0.00
Eastern European		DM31.94	33.63	-0.22	0.00
European		$37.02	38.98	+0.18	0.00
Japan		$21.64	22.78	+0.02	0.00
Latin American		$8.04	8.42	—	0.00
North American		$38.81	40.86	+0.23	0.00
Pacific		$18.70	19.70	+0.43	0.00
Singapore & Malaysian		$27.73	29.20	+0.02	0.00
United Kingdom		$35.77	37.66	+0.11	0.00
Asian Opps		$27.08	28.51	+0.51	0.00
European Opps		$29.44	31.00	+0.13	0.00
Global Opps		$10.60	11.16	+0.06	0.00
Japan Opps		$18.48	19.47	-0.02	0.00
North American Opps		$39.20	41.27	+0.19	0.00
United Kingdom Opps		£17.35	18.28	+0.03	0.00
DM Reserve		DM111.59	111.59	+0.02	0.00
Dollar Reserve		$104.26	104.27	+0.06	0.00
Sterling Reserve		£114.67	114.66	+0.06	0.00
Swiss Franc Reserve		SFr106.95	106.95	+0.01	0.00
Mercury Offshore Stlg Tst-SICAV (u)					
Global		£1.737	1.830	+0.008	0.31
Overseas		£1.904	2.008	+0.011	0.00
European		£2.242	2.373	+0.018	0.03
Japan		£0.994	1.044	-0.004	0.00
North American		£2.311	2.436	+0.014	0.00

LUXEMBOURG (REGULATED)(**)

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Old Mutual International - Contd.

PanEuroLife société anonyme

Premier Life

Professional Investment Consultants

Alpha Fund Management Ltd - Contd.

Arcadia Capital Advisors LLC

Arc Investment Company Ltd

Arnhold and S. Bleichroeder, Inc

Asia Pacific Capital Strategies Fund

Asia Pacific Securities Corp Ltd

OTHER OFFSHORE FUNDS

Global Asset Management - Contd.

Jardine Fleming Unit Trusts Ltd - Contd.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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LONDON STOCK EXCHANGE

MARKET REPORT

Footsie gets a further lift from Wall Street

By Philip Coggan, Markets Editor

Another strong opening on Wall Street gave a lift to share prices in London yesterday, helping the market to shake off the effect of some disappointing figures from Shell Transport.

The FT-SE 100 index climbed back towards the middle of the 3,650-3,850 range, in which it has fluctuated for much of 1996. By the close, Footsie had risen 31.2 points to 3,734.4.

It looked like being a different picture in mid-morning, when Footsie briefly touched a low for the day of 3,697.7, down 5.5 points. The warnings from Shell about weak demand in the chemicals sector was coupled with news of retrenchment at Hanson's SCM chemicals subsidiary; at its worst, the fall in Shell, down 25½ at one point, had knocked five points off the index.

However, the London market has been dominated this week by events on Wall Street, where a series of economic data has given clues about the possibility of an interest rate rise when the Federal Reserve's open market committee meets on August 20.

Although yesterday's second quarter US gross domestic product figures were strong, a weaker-than-expected National Association of Purchasing Management report dampened rate fears and caused a sharp rise in Treasury bonds and the Dow Jones Industrial Average. At the close of London trading, the Dow was 36 points ahead.

Investors appeared to have responded by buying into UK equities via the FT-SE 100 index future, which then pulled the cash market ahead.

The medium-sized stocks failed once again to keep up with the leaders, with the FT-SE Mid-250 index up just 12.4 to 4,243.0.

At home, the UK purchasing managers' index, the month's first economic indicator, showed a continuing pick-up in manufacturing activity, which had been in the doldrums during the first half.

According to Mr Mark Brown, head of strategy and economics at ABN-Amro Hoare Govett, "three surveys in a row have shown that manufacturing has turned the corner and we think the stock overhang is yesterday's story. If I had to pick a sector in a dull market which offered the best value, it would be industrial cyclicals".

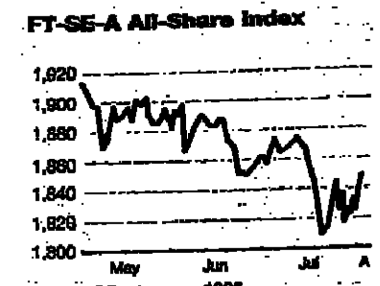
Mr Brown is maintaining his end-year forecast for Footsie of 3,500.

With the price element of the purchasing managers' survey subdued, and with international bonds performing well, gilts had a good day. The benchmark 10 year issue rose by around a quarter of a point.

After two days when trading activity was bolstered by share buy-back programmes, volume yesterday was modest. By the 6pm count, 631.5m shares had been dealt, of which 52 per cent was in non-FT-SE 100 stocks. The value of customer business on Wednesday was £1.86bn.

There was a splash of speculative activity with bid rumours surrounding Cadbury-Schweppes and renewed talk that MCA might emerge as a buyer of Thorn EMI's music business when it demerges. But banks dominated the list of Footsie's top performers, in the wake of recent good results and on talk of a stock squeeze.

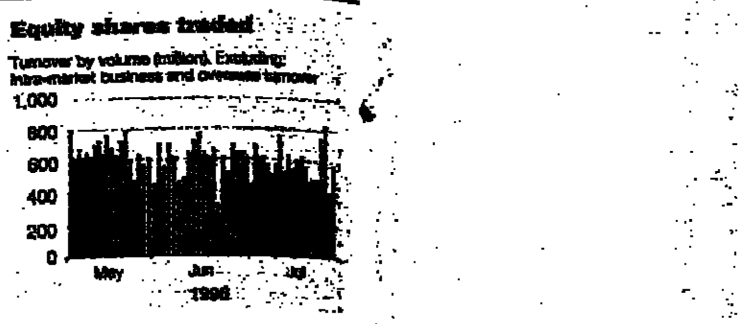
FT-SE-A All-Share Index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3734.4	+31.2	FT Ordinary index	2748.2	+29.4
FT-SE Mid 250	4243.0	+12.4	FT-SE-A Non Fins p/e	16.08	15.82
FT-SE-A 350	1869.6	+13.5	FT-SE 100 Fut Jul	3740.0	+34.0
FT-SE-A All-Share	1848.04	+12.60	10 yr Gilt yield	7.65	7.70
FT-SE-A All-Share yield	3.93	3.95	Long gilt/equity yld ratio:	2.10	2.09

Best performing sectors

1 Gas Distribution +2.0
2 Banks : Retail +1.9
3 Engineering : Vehicles +1.7
4 Food Producers +1.3
5 Telecommunications +1.2

Worst performing sectors

1 Distributors -1.2
2 Building Matls -0.8
3 Diversified Inds -0.5
4 Building & Cons -0.4
5 Other Financial -0.3

Chemical fears hit Hanson

Shares in Hanson fell sharply following the international conglomerate's revelations about troubled chemicals trading.

The stock, which has been one of the worst Footsie performers this year, fell to the bottom of the index lists yesterday with a 4½ decline to 155¾p, after 154p.

Volume was a busy 21m with the traded options pits accounting for the equivalent of a further 2.4m, and once again there were clear signs of a big two-way pull for sentiment.

Off almost 30 per cent in absolute terms since January, the shares have been hitting seven-year lows lately and some sections of the City feel there is more bad news to come.

The day's options activity included one big downside deal with a buyer of 2,000 February puts needing the Hanson share price to fall to 126p in order to make a profit.

Hanson's third quarter results are due in two weeks.

Shell disappoints

There was no hiding the market's disappointment with second quarter figures from Shell Transport.

The results were at the bottom end of market expectations and analysts cited the performance of the downstream business outside the US as the main reason for the decline.

The shares surrendered 11 to 911½p, on an otherwise strong day in the market, with volume rising to a hefty 10m as analysts downgraded full year expectations. SGST now expects Shell to report full year profits of £5.1bn against a previous forecast of £5.5bn.

Mr John Toalster at the broker believes the figures are particularly disappointing given the good results produced by US based oil leaders and said: "The group needs to tackle its problem areas more aggressively. It needs to at least halve its cash mountain."

In the rest of the sector, BP followed the strong market trend and firmed 4 to 586½p. Lasmo, which yesterday reported interim figures, was another stock to benefit from the strong market trend. The shares hardened 1½ to 180½p. However, Ms Irene Himona at SGST believes the stock to be "overvalued with no particular attraction for investors in these figures."

Cadbury Schweppes rose 11½ to 519p on the back of takeover speculation, with Unilever said to be in the frame. Analysts said they believed the rumours were coming from the US, where Oppenheimer & Co has upgraded Cadbury to "buy" from "market perform". Mr Roy Burry, the Oppenheimer analyst, said: "We see the repositioning efforts of the 1990s paying off at last." Despite the rumours, volume was below average at 1.1 million. Unilever, which announces its interim results next Friday, rose 14 to 1247p.

An analysts' visit to Hillsdown helped lift it 9 to 181p. One participant said: "People came away with confidence."

Railtrack was heavily traded for the second day running with yield-hungry income funds said to be in hot pursuit of the shares' 6 per cent dividend return.

Analysts' perceptions about the stock have slowly been turning more positive, thanks to stories about tight cost control and recent suggestions from the industry that rail passenger traffic may be turning up.

The shares, floated in May at 200p, gained 2½ to 229½p for a two-day advance of almost 5 per cent. Volume was again above average at 7.7m.

An upbeat annual meeting at First Bus sent the shares up 13 to 160p and helped lift the sector. Go-Ahead added 5 to 290p and National Express gained 20 to 462p.

Profit-taking left Stagecoach, up 20 per cent in two weeks, off 11¼ at 531p.

Shares in Yorkshire Electricity, one of the five remaining independent regional electricity companies, jumped 26 to 707p, after it announced plans to increase shareholder value through the payment of an enhanced dividend.

In the rest of the utilities, there was little interest in Thames Water, following its share buy-back on Wednesday. The shares gave up another 7 to 538p.

Thorn EMI surged 25 to 1778p on continuing speculation that MCA, the entertainment arm of Seagream, might be a possible bidder for EMI Music following the group's demerger later this month. Speculation that Sears may be about to make a disposal – with talk of Hush Puppies as a likely candidate – was responsible for the shares rising 3 to 99½p. One analyst said that, if such a sale happened, it would be part of an continuing rationalisation.

Mobile phone shares were active with Vodafone adding 4 to 233½p and Orange 4¼ to 178¼p. A leading broker was said to have turned more positive on the sector, and combined volume for the two stocks totalled 10.9m shares.

Profit downgrades, after a round of meetings with analysts, were said to be the reason for an 18 decline to 608p at electronics component distributor, Premier Farnell.

Pilkington, off sharply over the past two days, recovered modestly following a buy recommendation from SGST which has moved from "neutral" to "overweight" on the building materials sector.

The broker claims that recent underperformance, which has put the sector on a 10 per cent discount to the overall market, is misplaced. It blames bad weather for much of the recent negative feedback, and says underlying trading conditions in the UK continue to improve steadily.

Mr Howard Proctor, SGST building analyst, expects the forthcoming half-year results season to provide a turning point for sentiment.

Pilkington, which was hit on Wednesday by a profits warning, added a penny to 183p. Redland hardened 2 to 418p and Rugby a penny to 105p.

TI Group, off for most of the session, ended all-square in spite of top-of-the-range interim results, which sparked some modest upgrades for the full year.

Recent comments from Siebe have cast something of a cloud over the higher-rated engineering shares. Both TI and Siebe have a big North American sales base, and TI has seen recent faltering in Europe. The stock closed at 525p.

Lucas Industries put on 12½ to 228p, in 9.5m traded, as concern about the planned merger with Varity of the US continued to recede. The group has recently been seeing analysts and institutions to explain the Varity deal.

A shortage of stock in the retail banking sector helped the shares record some of the day's sharpest gains.

National Westminster, which reported figures earlier this week, jumped 20 to 645p, in modest volume of 3m. HSBC gained 27½ to 1091p. Bank of Scotland put on 2½ to 230½p, following news that BZW had successfully completed all dealings associated with the recent sale of Standard Life's stake in the group.

J Sainsbury rose 6 to 382p after announcing that it has bought GIB's 25 per cent stake in Homebase for £65m in cash.

FINANCIAL TIMES EQUITY INDICES

	Aug 1	Jul 31	Jul 30	Jul 29	Jul 26	Yr ago	*High	*Low
Ordinary Share	2748.2	2718.8	2694.5	2703.9	2699.8	2598.1	2885.2	2668.8
Ord. div. yield	4.14	4.18	4.22	4.21	4.21	4.11	4.22	3.76
P/E ratio net	16.20	16.03	15.88	15.93	15.91	15.72	17.25	15.80
P/E ratio nil	16.03	15.87	15.72	15.78	15.75	15.42	17.08	15.71

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2724.9	2722.5	2718.3	2718.2	2722.9	2723.8	2727.7	2733.8	2747.5	2748.5	2716.5

	Aug 1	Jul 31	Jul 30	Jul 29	Jul 26	Yr ago
SEAQ bargains	29,980	27,603	24,043	27,336	24,241	25,468
Equity turnover (£m)†	-	1856.7	1664.9	1053.1	2233.0	1670.6
Equity bargains†	-	33,718	30,236	29,796	26,855	37,192
Shares traded (m)†	-	586.8	585.8	404.7	844.4	676.9

†Excluding intra-market business and overseas turnover.

	Aug 1	Jul 31	Jul 30	Jul 29	Jul 26	Yr ago	*High	*Low
FT-SE AIM	1044.10	1049.40	1048.40	1054.00	1049.90	-	1140.40	965.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	739	Total Highs	50	Total contracts	36,772
Total Falls	398	Total Lows	48	Calls	19,098
Same	1,569			Puts	17,674

Aug 1 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3711.5	3740.0	+34.0	3750.0	3695.0	15104	[illegible]
Dec	3720.0	3760.0	+35.0	3758.0	3720.0	250	[illegible]
Mar	3731.0	3771.0	+34.0	3731.0	3731.0	40	[illegible]

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep		4242.0	+12.0			0	[illegible]

■ FT-SE 100 INDEX OPTION (LIFFE) (*3735) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

‡ Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jul 31	% chg on day	Jul 30	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1985.74	+3.7	1925.25	1980.85	1.58	-	2520.73	1722.93
■ Regional indices								
Africa (13)	2618.15	+0.6	2603.89	2765.35	3.06	36.80	3553.86	2272.74
Australasia (7)	2203.46	+2.0	2160.93	2390.99	2.58	21.06	2927.34	2123.50
North America (11)	1794.14	+5.4	1701.57	1851.22	0.74	65.09	2186.39	1488.94

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FT - SE Actuaries Share Indices — The UK Series

	Aug 1	Day's chge%	Jul 31	Jul 30	Jul 29	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3734.4	+0.8	3703.2	3668.5	3678.8	3475.6	4.11	2.10	14.48	104.85	1535.07
FT-SE Mid 250	4243.0	+0.3	4230.6	4219.1	4226.1	3853.8	3.55	1.62	21.78	121.52	1715.50
FT-SE Mid 250 ex Inv Trusts	4277.8	+0.3	4265.9	4255.4	4261.0	3869.5	3.65	1.65	20.74	126.28	1732.99
FT-SE-A 350	1869.6	+0.7	1856.1	1841.4	1846.1	1731.1	3.99	2.01	15.60	52.77	1571.45
FT-SE-A 350 Higher Yield	1809.6	+0.7	1796.4	1778.4	1779.9	1727.8	5.25	1.91	12.48	66.18	1275.69
FT-SE-A 350 Lower Yield	1936.9	+0.7	1923.1	1911.5	1919.4	1737.2	2.82	2.18	20.30	39.74	1345.34
FT-SE SmallCap	2085.99	+0.2	2081.18	2083.17	2088.70	1930.37	3.17	1.69	23.28	41.38	1719.29
FT-SE SmallCap ex Inv Trusts	2081.22	+0.2	2077.69	2081.22	2086.18	1906.01	3.39	1.77	20.77	43.46	1726.39
FT-SE-A ALL-SHARE	1848.04	+0.7	1835.44	1822.11	1826.79	1710.78	3.93	1.99	16.00	50.96	1577.27

■ FT-SE Actuaries All-Share

	Aug 1	Day's chge%	Jul 31	Jul 30	Jul 29	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3479.40	-0.1	3481.84	3454.68	3446.05	2939.29	3.85	1.83	17.78	79.25	1499.12
12 Extractive Industries(6)	4125.25	+0.5	4102.84	4053.20	4045.54	4107.34	3.89	2.52	12.76	109.19	1213.93
15 Oil, Integrated(3)	3554.44	-0.2	3562.42	3540.13	3525.86	2920.72	4.03	1.72	18.03	81.84	1570.68
16 Oil Exploration & Prod(15)	2495.47	+0.3	2487.01	2449.38	2476.63	2008.30	2.09	1.55	38.50	34.94	1502.98
20 GEN INDUSTRIALS(276)	1970.74	+0.2	1966.53	1962.65	1974.03	1999.44	4.39	1.84	15.47	53.20	1085.63
21 Building & Construction(34)	1125.41	-0.4	1130.14	1136.00	1136.32	1000.77	3.68	1.69	20.05	23.05	945.82
22 Building Matls & Merchs(29)	1814.04	-0.8	1825.82	1839.01	1847.91	1854.43	4.22	1.71	17.29	47.61	923.01
23 Chemicals(25)	2366.14	+0.5	2354.78	2333.28	2341.88	2473.53	4.27	1.61	18.13	62.26	1129.38
24 Diversified Industrials(19)	1492.38	-0.5	1500.56	1483.85	1494.55	1831.84	6.98	1.69	10.60	57.26	843.04
25 Electronic & Elect Equip(35)	[illegible]										
26 Engineering(71)	[illegible]										
27 Engineering, Vehicles(14)	[illegible]										
28 Paper, Pckg & Printing(28)	[illegible]										
29 Textiles & Apparel(19)	[illegible]										
30 CONSUMER GOODS(97)	[illegible]										
32 Alcoholic Beverages(8)	[illegible]										
33 Food Producers(24)	[illegible]										
34 Household Goods(15)	[illegible]										
36 Health Care(20)	[illegible]										
37 Pharmaceuticals(13)	[illegible]										
38 Tobacco(1)	[illegible]										
40 SERVICES(226)	[illegible]										
41 Distributors(31)	[illegible]										
42 Leisure & Hotels(24)	[illegible]										
43 Media(45)	[illegible]										
44 Retailers, Food(14)	[illegible]										
45 Retailers, General(43)	[illegible]										
47 Breweries, Pubs & Rest.(24)	[illegible]										
48 Support Services(45)	[illegible]										
49 Transport(22)	[illegible]										
60 UTILITIES(36)	[illegible]										
62 Electricity(11)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(8)	[illegible]										
68 Water(12)	[illegible]										
69 NON-FINANCIALS(658)	[illegible]										
70 FINANCIALS(104)	[illegible]										
71 Banks, Retail(9)	[illegible]										
72 Banks, Merchant(6)	[illegible]										
73 Insurance(22)	[illegible]										
74 Life Assurance(6)	[illegible]										
77 Other Financial(21)	[illegible]										
79 Property(41)	[illegible]										
80 INVESTMENT TRUSTS(126)	[illegible]										
89 FT-SE-A ALL-SHARE(888)	1848.04	+0.7	1835.44	1822.11	1826.79	1710.78	3.93	1.99	16.00	50.96	1577.27
FT-SE-A Fledgling	1207.97	[illegible]									
FT-SE-A Fledgling ex Inv Trusts	1223.17	[illegible]									

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3709.3	3706.5	3705.8	3699.8	3703.3	3703.7	3710.5	3717.1	3734.8	3735.1	3697.7
FT-SE Mid 250	4233.5	4235.1	4232.9	4235.5	4236.5	4237.1	4238.0	4240.0	4242.7	4243.9	4232.3
FT-SE-A 350	1858.6	1857.8	1857.4	1855.2	1856.7	1856.8	1859.7	1860.5	1869.7	1869.9	1854.3

Time of FT-SE 100 Day's High: 3:56 PM Day's low: 10:47 AM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 3584.2 (23/01/96)

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1121.7	1121.1	1120.5	1118.2	1118.0	1118.0	1116.0	1115.5	1115.3	1115.3	1122.1	-6.8
Pharmaceuticals	5107.3	5100.8	5112.3	5107.2	5105.3	5094.5	5107.1	5126.4	5142.7	5148.8	5098.8	+49.8
Water	2155.9	2156.7	2148.4	2152.4	2153.8	2151.4	2148.2	2150.4	2146.5	2145.1	2146.5	-1.4
Banks, Retail	4165.2	4165.2	4162.0	4164.8	4173.4	4178.5	4207.4	4209.3	4246.2	4244.4	4163.9	+80.5

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TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			
Burton†	3,600	150	+4
Cable & Wire†	2,100	408	+3
Cadbury Schweppes†	1,100	519	+11½
Caradon	882	202	-5
Carlton Comms.†	1,200	485	+8
Chubb	421	339	-3
Coats Viyella	213	168	+½
Comm. Union†	2,700	598	+5
Compass	872	598	-1
Cookson†	4,100	281	
Courtaulds†	286	443	+5
Dalgety	64	351	
De La Rue	657	614	+9
Dixons†	1,400	498	+1
East Midland Elect.	508	594	-1
Electrocomps	1,100	358	-10
Eng China Clays	474	261	-1
Enterprise Oil†	1,500	488	+3
Eurotunnel Units	38	101	
FKI	1,700	170	-1
Foreign & Col. I.T.	478	151½	+½
Gen. Accident†	1,200	626	
General Elect.†	5,100	384½	+4½
Glaxo Wellcome†	9,100	895	+½
Glynwed	54	337	+1
Granada†	2,400	813	+9
Grand Met.†	3,500	439	+4½
GUS†	3,500	599	-4
Greenalls	482	557	
GRE†	2,200	248	+6
GKN†	373	1005	+7
Guinness†	2,800	463	+1
HSBC (75p shs)†	3,100	1091	+27½
Hammerson	2,600	377	-2
Hanson†	22,000	155¾	-4½
Harrisons Crosfield	649	121½	-2½
Hays	2,100	426	-3
Hillsdown	3,900	181	+9
Hyder	686	695	[illegible]
IMI	1,800	372	-7
ICI†	2,600	756	+8
Inchcape	1,100	261	-4
Johnson Matthey	642	590	+9
Kingfisher†	2,800	624	+1
Kwik Save	79	420	
Ladbroke†	2,600	190½	+3
Land Securities†	2,900	654	+3
Laporte	217	720	+1
Legal & General†	1,200	717	+12
Lloyds Abbey	1,400	560	+8
Lloyds TSB†	5,500	349	+3
LASMO†	3,000	180½	+1½
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded. Source: FT Extel.

CONTRACTS & TENDERS

CONTRACTS & TENDERS

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 1 / Sch)

BELGIUM/LUXEMBOURG (Aug 1 / Frs.)

CZECH REP (Aug 1 / Koruna)

DENMARK (Aug 1 / Kr)

FINLAND (Aug 1 / Mkn)

FRANCE (Aug 1 / Frs.)

GERMANY (Aug 1 / Dm.)

GREECE (Aug 1 / Drachma)

ITALY (Aug 1 / Lire)

NETHERLANDS (Aug 1 / Fls.)

NORWAY (Aug 1 / Kroner)

POLAND (Aug 1 / Zloty)

PORTUGAL (Aug 1 / Escudo)

SPAIN (Aug 1 / Pts.)

SWEDEN (Aug 1 / Kronor)

SWITZERLAND (Jul 31 / Frs.)

TURKEY (Aug 1 / Tk Lira)

PACIFIC

JAPAN (Aug 1 / Yen)

HONG KONG (Aug 1 / H.K.$)

INDONESIA (Aug 1 / Rupiah)

MALAYSIA (Aug 1 / MYR)

NEW ZEALAND (Aug 1 / NZ $)

SINGAPORE (Aug 1 / S$)

AUSTRALIA (Aug 1 / Aust$)

SOUTH KOREA (Aug 1 / Won)

TAIWAN (Jul 30 / TW $)

THAILAND (Aug 1 / Baht)

AFRICA

SOUTH AFRICA (Aug 1 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 1 / Can $)
4 pm close

MONTREAL (Aug 1 / Can $)
4 pm close

INDICES

US INDICES

■ RATIOS

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ INDEX FUTURES

■ CAC-40

■ DAX

■ OMX

■ SOFFEX

■ Nikkei 225

■ S&P 500

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Thursday, August 1, 1996

	Stocks Traded	Closing Prices	Change on day
Toshiba Corp	4.5m	710	+7
Nippon Steel Corp	4.2m	360	+5
Kanematsu Corp	3.4m	650	+22
Toyota Motor	3.3m	2680	+70
TYK Corp	2.9m	1090	+101
Mitsubishi Heavy	2.8m	904	-1
NKK Corp	2.8m	305	
Sumitomo Mtl Ind	2.7m	324	+3
Nikko Secs	2.6m	1110	+30
Mitsui Tr & Bkg	2.5m	1120	-40

4 pm close August 1

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¾	17¾	AAR x	0.48	2.5	19	335	20	19¼	19½	+⅛
48½	36⅛	AMP x	1.00	2.6	18	5442	39	38⅜	38⅞	+¼
97½	68	AMR			15	11250	79¼	77¾	78¾	-⅛
50½	37⅜	ASA	1.80	4.5	26	568	40½	39⅞	40⅛	-⅛
45¼	38⅛	AbbtxL	0.96	2.2	19	11001	44⅞	43⅞	44½	+½
17¼	12¾	Abitibi Pr	0.40	3.1	6	464	13	12¾	12¾	
40⅞	27	ABM Ind	0.70	2.0	17	148	35¼	35	35	-⅛
18⅝	13⅞	Acptncein			47	115	18¼	17⅞	18	+⅛
50⅞	37¾	ACE Ltd	0.56	1.3	10	3403	44¼	43⅞	44¼	+¼
10	9⅛	ACM Gvt In	0.90	9.0	8	437	u10	9⅞	10	+⅛
7⅞	6⅝	ACM GvOpp	0.57	8.1		91	7	6⅞	7	
7¼	6	ACM Gvt Sp	0.66	10.0		209	6⅝	6½	6⅝	+⅛
9⅛	8¼	ACM Gvt Se	0.90	10.1		129	8⅞	8¾	8⅞	+⅛
9½	8⅞	ACM Man	0.90	9.8		475	9¼	9	9⅛	
13⅞	6⅛	Acme Elect			43	55	7⅜	7¼	7¼	+⅛
17½	15	Acme Mts			10	209	16	15⅛	16	+1
33¾	27¾	Acordia	0.80	2.6	18	29	31	30⅞	31	+¼
21⅞	12	Acuson			71	645	14½	13½	14¼	+1
19½	17⅞	Adams Expr	0.48	2.6	8	412	18½	18¼	18½	+¼
21¼	10¼	AdvMic			7	5178	12⅜	11⅞	12¼	+⅛
11⅛	8½	Advest Grp	0.16	1.6	7	51	9⅞	9¾	9⅞	
26⅛	9⅛	Advo Inc	0.10	1.0	467	334	9⅞	9⅝	9¾	+⅜
50⅞	41⅛	Aegon	1.19	2.5	14	124	47	45⅞	47	+1⅛
6¾	3½	Aeritr			3	158	5⅝	5⅜	5⅜	-¼
78¼	55⅜	Aetna	2.76	4.8	6	14192	58¼	57¾	57¾	-⅜

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

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4 pm close August 1

NYSE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
20⅜	12	ScIAg	0.08	0.4	34	770	13⅝	13¼	13⅝	+⅛
21	17	Scotsman	0.10	0.5	12	42	19⅞	19⅞	19⅞	
47½	38⅛	Scripps	0.52	1.3	23	944	41½	41	41½	+⅜
18⅛	13¾	ScuddrNAsF	0.02	0.1		134	13⅝	13⅜	13⅜	
12⅞	11	ScuddrNEuF	0.16	1.3		191	12¼	12⅛	12⅛	
20½	16	SeaCnB x	0.17	1.0	2	95	17¼	17¼	17¼	
16	15	SeaC1.4625	1.46	9.6		4	15¼	15¼	15¼	-⅛
67¾	38⅛	S'gate			23	10182	49⅜	48¼	48⅞	+½
38⅜	30⅞	Seagrm	0.60	1.8	23	2627	33⅝	33	33⅜	+⅛
28	17⅛	Seagull En			11	1068	18⅜	18	18⅛	
38⅛	26	Sealed Air			23	917	35	34⅝	34⅞	+½
53⅞	38¼	Searsff	0.92	2.2	15	21259	42⅝	40¼	42⅛	+1⅜
22⅞	19¼	SecCapGB x	1.24	5.9	19	468	20⅞	20⅝	20⅞	+⅛
13	11⅞	Seligm Sel	0.84	6.9		96	12½	12¼	12¼	-⅛
23¾	13⅝	Sensormat x	0.22	1.4	13	2028	16	15⅛	15⅞	+⅝
44⅜	29½	SequaA	0.60	1.5	108	302	41⅜	41	41⅜	+⅜
50	39	SequaB	0.60	1.0	125	21	47⅞	47¾	47¾	
60¼	38⅞	SvcCp	0.48	0.9	27	3540	56⅛	55⅜	56	+⅞
23½	19½	Svmstr	0.68	3.0	14	380	23	22¾	22¾	+⅛
6¼	4½	SvcMerch			10	1002	4¾	4⅝	4¾	+⅛
48¼	28½	SGSThm			7	613	34¾	34⅜	34¾	+¼
15⅜	10⅝	Shaw Ind	0.30	2.1	36	3656	14¼	13⅝	14¼	+½
12⅞	10⅛	Shelby Wil	0.32	2.7	14	20	12	12	12	
[illegible]										

NASDAQ NATIONAL MARKET

4 pm close August 1

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close August 1

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

AMERICA

Interest rate prospect lifts equities again

Wall Street

US share prices jumped as new data supported the growing consensus that the Federal Reserve would not raise interest rates later this month, *writes Lisa Bransten in New York.*

The Dow Jones Industrial Average moved modestly higher in early trade and then soared at mid-morning after the National Association of Purchasing Management said that its index of business activity fell to 50.2 in July from 54.3 in June. Analysts had expected the July figure to come in close to the June levels.

Signs that the economy might be slowing without an interest rate increase from the Fed also sent the bond market sharply higher, pushing the yield on the benchmark 30-year Treasury bond to 6.842 per cent, its lowest level since late May.

By 1pm, the Dow was 56.97 stronger at 5,585.88, and the more broadly based Standard & Poor's 500 rose 8.24 at 648.19. The American Stock Exchange composite was up 3.06 at 542.56. Volume on the New York Stock Exchange came to 238m shares.

The technology-rich Nasdaq composite also posted another strong session as it continued to make up some of the ground lost in the past two months. It climbed 12.82 at 1,093.41 while the Pacific Stock Exchange technology index added 1.1 per cent.

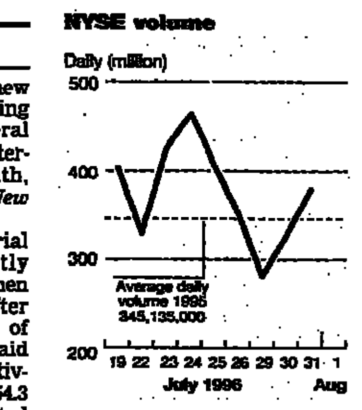
Shares in interest-sensitive commercial banks were mostly higher. Citicorp added $2¼ at $84, Chase Manhattan Bank climbed $1⅛ at $70⅞, Wells Fargo gained $3⅝ at $236⅝ and NationsBank was $1⅛ stronger at $87⅛.

Elsewhere, Rockwell International rose $3 or 6 per cent at $55⅛ after announcing that Boeing would buy most of its aerospace and defence businesses. Shares in Boeing added $1⅞ at $90⅞.

Silicon Graphics lost $⅞ of the $3¼ it gained on Wednesday, bringing the shares to $22⅝.

Late on Wednesday the company reported fourth quarter net income of 46 cents a share – excluding its purchase of Cray Research – slightly behind the 48 cents that analysts had expected.

Egghead, the computer retailer, lost $2⅛ or 22 per cent at $7⅛ after reporting a first quarter operating loss of 43 cents a share, compared with the 19 cents a share that it lost in the same period last year.



Canada

Toronto again took its lead from Wall Street, with additional support provided by rallying gold issues. By noon, the TSE-300 composite index was 18.95 higher at 4,948.10 in volume of 33.9m shares.

Among the active gold issues, TVX Gold picked up 15 cents to C$10.65. Pangea Goldfields rose 45 cents to C$5.65 after the company announced that it had made a significant gold discovery on a property in Peru.

Newbridge Networks jumped C$1.10 to C$60.90 as the technology sector continued to demonstrate renewed confidence.

Talisman Energy turned back from a high of C$33.55 to trade unchanged at C$33 in the wake of its flat second quarter earnings report.

São Paulo 2.4% ahead

São Paulo put in an unexpectedly strong performance, rising 2.4 per cent by midsession as investors overcame lingering worries over Argentine foreign exchange policy after that country's new economy minister, Mr Roque Fernández, insisted that no changes were planned. The Bovespa index jumped 1,490 to 62,723.

BUENOS AIRES also put in a good performance, rising 1.5 per cent at midsession as investors put behind them Wednesday's profit-taking in a market that had seen some stocks rise by 10 per cent over the previous two sessions. The Merval index was 8.04 higher in lunchtime trade at 537.13.

MEXICO CITY moved 1.5 per cent ahead, taking its lead from Wall Street, and with the IPC index punching through the July 23 peak of 3,031 which had become regarded as a strong resistance level.

By midsession, the key index had moved to a 44.39 gain at 3,051.63.

S Africa golds higher

Johannesburg finished stronger, lured higher by the bright start on Wall Street. Industrials were restrained, however, by the weak rand while gold and platinum stocks enjoyed strong gains on higher metals prices.

The overall index rose 4.0 at 6,610.9, industrials edged up 2.3 to 7,802.5 and golds made 30.7 to 1,802.3.

Among precious metals stocks, Gold Fields gained R2.75 to R130.00, Vaal Reefs rose R11.00 to R367.00 and Western Deep Levels climbed R5.25 to R169.00.

Another gold producer, Harmony Gold Mining, rose 20 cents to R45.20, in comparatively heavy volume of 500,400 shares. Among platinum companies, Impala rose R2.75 to R67.75 and Rustenburg gained R2.50 to R74.50.

Polifin, the petrochemicals and plastics concern, gained 6 cents to R7.60 in unusually heavy volume of 1.5m shares. Sasol, the oil producer, put on 65 cents at R45.80.

EUROPE

NAPM data offsets damage in Dutch chemicals

Cyclical damage in the chemicals sector was all too evident in AMSTERDAM yesterday morning, with the Royal Dutch/Shell second quarter scarred by the 54 per cent profits drop in the oil group's chemicals operations and EVC International, Europe's biggest PVC producer, slipping into a first half loss.

However, the market was rescued by the encouraging NAPM data out of the US, and the consequent celebratory mood on Wall Street. The AEX index, having bottomed at 533.95, eventually closed 4.34 higher at 540.07.

Both Royal Dutch and EVC closed well off their worst. RD was Fl 2.80 lower at Fl 245.80, after Fl 241.70, and EVC fell Fl 1.10 at Fl 47 after an early low of Fl 42.50. The oil group disappointed analysts by predicting little change in the second half, and the PVC company said that it saw losses widening in the second half.

There were other losses elsewhere, notably in KNP BT, which fell another Fl 1.50 to Fl 36 after two more brokers cut their earnings estimates for the papermaker; but financials rose as the US data improved interest rate prospects.

FRANKFURT liked the US data, and the resultant lift in the Dow which left the Dax index 12.66 higher at 2,504.16 at the end of Ibis trading. Turnover stayed moderate at DM6.3bn, down from DM6.8bn.

The recent strength in financials was supported, effectively, by the German economics institute, Ifo, which said the Bundesbank might lower the 3.30 per cent repo rate in the next few months. Allianz put on another DM30.40 at DM2,754.40 and Commerzbank DM5.30 at DM349.

The better transatlantic mood lifted SAP, the software group and US investors' favourite, whose preference shares rose DM3.50 to DM217.

Theme stocks, too, had a revival: Henkel, the shareholder value convert, put on DM1.24 at DM61.64 and Adidas, the sportswear group, DM4.40 at DM120.40.

PARIS turned positive after the NAPM data and the CAC-40 index came home 14.01 higher at 2,009.90, after 1,989.88, in turnover of FFr3.5bn.

Eridania Beghin-Say, the French foodstuffs and sugar subsidiary of the Italian Montedison conglomerate, had a second day on the upgrade after a period of decline. A FFr23 rise to FFr735 took its two-day gain to 6.1 per cent.

Similarly, there was further support for Peugeot, which rose another FFr14, or 2.3 per cent, to FFr618, reversing earlier declines on broker downgrades.

Still in the automotive sector, the tyremaker Michelin, which reported a 5.4 per cent rise in first half sales on Wednesday, accelerated its uptrend with a rise of FFr5.70, or 2.5 per cent, to FFr232.50. Meanwhile Schneider, the electrical group whose sales had seemed initially disappointing, climbed FFr8.50, or 3.7 per cent, to FFr236.

On the downside, Eurotunnel lost 20 centimes, or 2.45 per cent, at FFr7.95 after it confirmed that its debt restructuring talks were not moving as fast as had been hoped.

MILAN was encouraged by the day's US data but had largely discounted its own lower house of parliament's stamp of approval on the supplementary budget. The Comit index rose 4.98 to 604.73, while the real-time Mibtel index picked up from a low of 9,579 to close 56 higher at 9,705.

Fiat put in a strong performance, rising L146 to L4,914, and Olivetti was L44.1 higher at L759 in a technical bounce.

Generali was marked L96 lower at L34,726 as investors pondered whether the insurance group was paying too much to secure control of the Israeli insurer, Migdal.

Telecom Italia overcame early weakness which followed news that the company would no longer be able to charge new subscribers a compulsory advance payment on which no interest was paid. By the close, the shares were L37 higher at L2,907.

Investors took profits on Parmalat, marking the stock L35 lower at L1,865 after Wednesday's 6.8 per cent rebound.

Among smaller capitalisation stocks, the jewellery and watch maker, Bulgari, advanced L938 to L24,030 after releasing encouraging first half revenue figures on Wednesday.

MADRID pushed banks and utilities after the US economic news lifted bond markets; the broad market rose in sympathy, the general index closing 4.84, or 1.4 per cent higher at 355.44 in turnover of Pta34.6bn.

Argentaria performed best among the large banks, gaining Pta180, or 3.7 per cent at Pta5,090. Traders said that the stock had been undervalued by comparison with its competitors. Among the electrical utilities, Iberdrola climbed Pta20, or 1.75 per cent to Pta1,165.

ISTANBUL hailed the ambitious economic plan by the prime minister, Mr Necmettin Erbakan, and equities leapt nearly 5 per cent on hopes that the privatisation process could be speeded up again.

Measures aimed at generating $10bn included plans to privatise the state-run Etibank and to sell state properties. The composite index closed 3,138.10 higher at 68,503.74, with activity led largely by state-owned shares.

LISBON was dragged down by the heavily weighted Banco Comercial Portugues, which dropped to an intraday low for for the year of Es1,675 as the market prepared for the admission next Tuesday of 27m new shares from a recent capital increase.

The shares subsequently picked up but still closed Es26 weaker on the day at Es1,711 and the BTA general index gave up 17.3 to 2,766.4.

Elsewhere, Banco Espirito Santo turned back from a high of Es2,524 to finish Es2 weaker at Es2,517 in spite of an announcement from the Espirito Santo group of a 16 per cent rise in half year net profits.

BUDAPEST bounced after an eight-session losing run, the Bux index closing 33.67 higher at 2,899.04 in turnover of Ft1.01bn.

Richter, the drugs group, put on Ft500, or 3.2 per cent at Ft16,600, and accounted for about of a third of the bourse turnover after very good first half results.

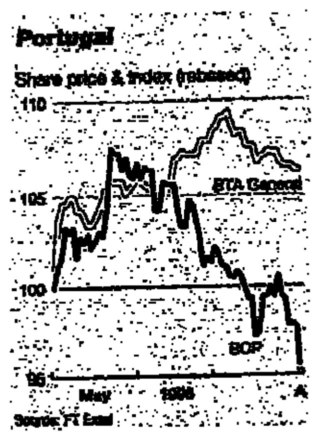
Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

Aug 1 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1610.72	1608.84	1607.19	1607.36	1607.25	1606.94	1608.33	1609.16
FT-SE Eurotrack 200	1662.60	1660.11	1659.33	1660.00	1661.70	1662.29	1664.81	1667.27

	Jul 31	Jul 30	Jul 29	Jul 26	Jul 25
FT-SE Eurotrack 100	1598.93	1592.93	1600.00	1596.81	1598.06
FT-SE Eurotrack 200	1652.28	1646.88	1654.71	1652.53	1650.66

Base value 1000 (26/10/90) High/day: 100 - 1611.17; 200 - 1667.68 Low/day: 100 - 1606.60 200 - 1659.16 † Points



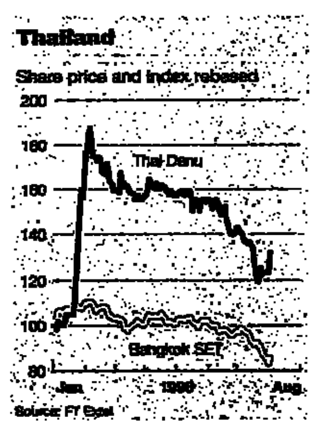
ASIA PACIFIC

Rescue fund rumours break Bangkok's losing streak

Rumours that a rescue fund worth Bt20bn ($790m) might be set up broke a five-session losing streak for BANGKOK. The SET composite index rebounded by 3.25 per cent after a 33 month low, and an 18.2 per cent drop since July 4.

The key index closed 34.56 higher at 1,098.60, in turnover of Bt6.6bn. After hours, a senior broker confirmed that Thai mutual funds and local finance companies had agreed in principle to set up a support fund.

Financials and securities stocks, which had underperformed a little during the July setback, recovered by a slightly above average 3.4 per cent. Thai Danu Bank came back from a three day suspension, having announced an equity funding plan on Wednesday, and the shares rose Bt9 to Bt136.



Tokyo

Investment trust buying helped to overcome the yen's continued strength against the dollar and profit-taking by foreign investors, and the Nikkei average rose for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

The 225 index closed 292.00, or 1.4 per cent, higher at 20,984.83. Its swing between 20,524.82 and 21,092.34 on the day took it down through the intra-day low of 20,627 on July 24. But the dollar regained some ground in the afternoon, prompting a rise in futures prices which, in turn, encouraged arbitrage buying.

Volume totalled 304m shares against 285m. Trading remained slow ahead of the release of US second quarter GDP figures and US labour statistics. However, investment trusts placed their buying orders as the Nikkei approached its 200-day moving average of 20,475.

The Topix index of all first section stocks rose 12.95 to 1,597.38, and the Nikkei 300 by 2.29 to 296.77. Advances led declines by 759 to 276 with 171 unchanged.

In London, the ISE/Nikkei 50 index rose 2.38 to 1420.90.

The yen's retreat against the dollar from the Y106 level helped high-technology stocks. Toshiba, the most active issue of the day, rose Y7 to Y710. Sony, which released firm first quarter earnings and forecasted strong growth in annual sales and profits, added Y170 to Y6,920 on buying by overseas investors.

Car makers were also higher with Toyota up Y70 at Y2,680, Honda Y10 at Y2,590 and Nissan Motor Y18 at Y888.

Foreign investors sold trust banks. Mitsubishi Trust and Banking fell Y30 to Y1,750, and Mitsui Trust and Banking Y40 to Y1,120.

Some leading banks rebounded after selling on rights issue concerns. Industrial Bank of Japan rose Y20 to Y2,330 and Dai-Ichi Kangyo Bank Y40 to Y1,840. However Sakura Bank declined Y30 to Y1,010.

Overseas investors bought steel issues. Nippon Steel rose Y5 to Y380 and Kawasaki Steel Y5 to Y384.

Speculative issues were mixed. Kanematsu, the trading company, rose Y22 to Y650, Daido Steel Sheet added Y130 to Y1,400 on margin trading, but Tokai Kogyo fell Y16 to Y814.

In Osaka, the OSE average rose 100.73 to 21,965.90 in volume of 24.4m shares.

Roundup

Toothache gave JAKARTA a break from political drama, bargain hunters came following sharp falls on the worst riots in the city in over two decades, and the JKSE composite index recovered 12.91, or 2.4 per cent, to 548.94.

A judge told a courtroom packed for the hearing of a lawsuit brought against the government by Ms Megawati Sukarnoputri, claiming that she was illegally ousted as head of the opposition Indonesian Democratic party, that the chief judge had toothache and that the case was being postponed for three weeks.

MANILA climbed on the Dow and on a 25 per cent jump in first half profits at PLDT. PLDT rose for the second successive day, ending up 35 pesos higher at 1,560 as the Manila composite index rose 30.30, or 2.65 per cent, to 3,108.64.

KARACHI crossed a key barrier to close 52.68 higher at 1,508.45 but brokers said that the 3.6 per cent rise was temporary and due to short covering, and that investors were still on the sidelines.

HONG KONG was lifted by a strong showing by properties and banks, helped forward by an overnight drop in the US long bond yield. The Hang Seng index rose 108.45 to 10,789.87 as turnover picked up to HK$3.3bn.

HSBC rose HK$1 to HK$124.50 and Hang Seng Bank advanced 75 cents to HK$77.50; both are to report interim results on Monday.

In the property sector, Henderson Land rose HK$1 to HK$56.25 and Hysan 55 cents to HK$21.90.

SINGAPORE's Straits Times Industrials index rose 7.85 to 2,119.61. Transmarco, the trading company, dropped S$1.50 to S$9.90 on rumours that a major shareholder, which also had a substantial interest in the troubled Amcol, had sold out. Company officials declined comment.

KUALA LUMPUR continued to rebound after Tuesday's sharp drop, and the composite index finished 19.74, or 1.9 per cent, higher at 1,087.97.

United Engineers, which operates the north-south expressway, rose 30 cents to M$17.10 on market talk that a proposed rise in tolls had been approved.

SEOUL continued to be supported by the government's savings scheme, aimed at raising Won2,000bn for stock investment, and the composite index rose 13.56 to 835.27.

Rumours that the government planned to expand the foreign shareholding ceiling also provided a boost.

Securities stocks, likely beneficiaries of the savings scheme, were the main gainers. The securities sub-index rose 43.36 to 1,888.70 and Samsung Securities gained Won1,000 to Won25,100.

● Typhoon Herb closed Taipei for the second day.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 31 1996								TUESDAY JULY 30 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (80)	193.59	1.2	184.32	130.60	148.23	165.59	2.5	4.33	191.30	182.23	130.50	146.94	162.59	212.18	177.98	180.89
Austria (24)	179.97	0.9	171.35	121.41	137.80	137.72	0.6	2.04	178.37	169.91	121.68	137.00	136.94	198.62	168.11	196.73
Belgium (27)	213.27	1.0	203.06	143.88	163.30	159.75	0.7	4.17	211.19	201.17	144.06	162.21	158.64	215.81	186.06	200.43
Brazil (28)	174.36	-0.4	166.01	117.63	133.50	324.24	-0.4	1.97	174.99	166.69	119.37	134.41	325.61	189.70	123.97	138.89
Canada (119)	155.64	0.5	148.19	105.00	119.17	154.90	0.5	2.32	154.95	147.60	105.70	119.01	154.11	165.12	134.14	146.52
Denmark (30)	307.93	-0.2	293.18	207.74	235.78	238.40	-0.5	1.93	308.52	293.88	210.45	236.97	239.49	309.34	276.89	295.99
Finland (23)	193.19	0.8	183.94	130.33	147.92	182.05	0.4	2.74	191.75	182.65	130.80	147.28	181.38	276.11	171.73	282.34
France (95)	192.15	1.5	182.95	129.63	147.13	150.64	1.2	3.20	189.30	180.31	129.13	145.39	148.85	198.39	167.70	188.75
Germany (58)	172.06	0.9	163.82	116.07	131.74	131.74	0.6	1.85	170.45	162.36	116.27	130.92	130.92	174.38	155.66	167.16
Hong Kong (59)	*410.92*	0.8	*391.24*	*277.21*	*314.63*	*407.98*	0.8	3.51	407.55	*388.21*	*278.01*	313.03	404.62	451.19	*348.81*	*370.67*
Indonesia (27)	185.33	0.1	176.45	125.03	141.90	267.35	0.2	1.73	185.23	176.44	126.35	142.27	266.86	–	–	–
Ireland (16)	278.13	0.5	264.81	187.63	212.96	242.07	0.3	3.55	276.77	263.64	188.80	212.58	241.28	290.82	235.68	248.01
Italy (58)	76.00	2.0	72.36	51.27	58.20	86.33	1.6	2.49	74.52	70.98	50.83	57.23	84.94	84.53	67.22	78.99
Japan (481)	149.23	0.7	142.08	100.67	114.26	100.67	-0.4	0.76	148.14	141.11	101.05	113.79	101.05	164.68	137.75	153.86
Malaysia (107)	519.42	1.4	494.55	350.41	397.71	499.21	1.4	1.79	512.47	488.16	349.58	393.62	492.30	585.09	425.77	547.94
Mexico (18)	1142.15	0.5	1087.46	770.52	874.53	9486.30	0.8	1.40	1136.12	1082.22	775.00	872.63	9408.40	1325.65	791.99	1135.51
Netherland (19)	292.05	1.9	278.06	197.02	223.62	220.34	1.5	3.27	288.53	272.94	195.45	220.06	217.05	299.69	245.79	283.46
New Zealand (15)	83.52	0.0	79.52	56.34	63.95	64.31	0.7	4.22	83.50	79.54	56.96	64.14	63.85	84.71	75.94	82.13
Norway (35)	246.04	-0.8	234.26	165.98	188.39	212.67	-0.9	2.13	247.99	236.23	169.17	190.48	214.80	256.94	222.24	241.09
Philippines (22)	193.38	0.4	184.12	130.46	148.07	252.54	0.4	0.65	192.60	183.47	131.38	147.93	251.53	–	–	–
Singapore (44)	383.16	1.6	364.81	258.49	293.38	249.51	1.6	1.52	376.95	359.07	257.14	289.53	245.66	465.21	355.81	390.50
South Africa (44)	329.57	-1.6	313.79	222.33	252.35	324.69	-0.7	2.29	334.94	319.05	228.48	257.26	326.98	437.76	329.57	348.37
Spain (37)	174.32	1.2	165.97	117.60	133.48	165.99	1.0	3.52	172.28	164.11	117.52	132.32	164.39	183.85	146.15	156.75
Sweden (48)	343.06	1.0	326.63	231.43	262.67	335.59	1.1	2.54	339.77	323.65	231.77	260.97	331.80	360.77	280.13	289.98
Switzerland (37)	238.83	0.0	227.39	161.12	182.87	177.23	-0.5	1.67	238.75	227.42	162.86	183.38	178.05	252.34	191.24	203.41
Thailand (45)	141.28	-1.4	134.51	95.31	108.18	138.48	-1.6	2.41	143.30	136.50	97.75	110.06	140.67	193.95	141.28	172.18
United Kingdom (199)	233.71	0.9	222.52	157.67	178.95	222.52	0.9	4.22	231.61	220.63	157.99	177.90	220.63	237.48	216.52	224.52
USA (625)	260.39	0.7	247.93	175.67	199.38	260.39	0.7	2.27	258.55	246.29	176.37	198.59	258.55	276.47	226.74	228.30
Americas (791)	238.01	0.7	226.61	160.57	182.24	200.18	0.7	2.26	236.39	225.17	161.25	181.56	198.80	252.43	208.19	210.14
Europe (706)	208.50	1.0	198.52	140.66	159.65	178.62	0.8	3.16	206.42	196.63	140.81	158.55	177.22	213.30	189.33	197.71
Nordic (136)	297.88	0.6	283.62	200.96	228.08	254.28	0.6	2.42	296.23	282.18	202.07	227.53	252.88	306.61	261.13	281.24
Pacific Basin (980)	161.00	0.8	153.29	108.61	123.27	111.25	0.0	1.22	159.75	152.17	108.97	122.70	111.30	177.01	148.86	164.13
Euro-Pacific (1686)	180.68	0.9	172.02	121.89	138.34	136.74	0.4	2.15	179.08	170.59	122.16	137.55	136.25	190.57	166.51	178.02
North America (744)	253.97	0.7	241.81	171.34	194.46	253.39	0.7	2.27	252.21	240.25	172.04	193.72	251.62	269.82	221.79	224.17
Europe Ex. UK (507)	189.78	1.1	180.70	128.03	145.32	153.15	0.8	2.59	187.79	178.88	128.10	144.24	152.01	194.86	169.65	178.63
Pacific Ex. Japan (399)	271.59	1.0	258.58	183.22	207.96	235.74	1.3	3.11	268.97	256.21	183.47	206.59	232.65	296.68	243.59	262.91
World Ex. US (1796)	181.65	0.8	172.95	122.54	139.09	141.11	0.3	2.15	180.18	171.63	122.91	138.39	140.64	191.55	167.36	178.71
World Ex. UK (2222)	203.19	0.8	193.46	137.07	155.58	170.73	0.5	2.00	201.66	192.09	137.56	154.89	169.95	213.05	185.61	191.08
World Ex. Japan (1940)	237.10	0.8	225.75	159.95	181.55	223.15	0.8	2.62	235.26	224.10	160.48	180.70	221.48	247.55	212.62	216.97
The World Index (2421)	205.87	0.8	196.01	138.88	157.63	175.43	0.5	2.20	204.29	194.60	139.35	156.91	174.57	214.95	188.49	194.01

Latest prices were unavailable for this edition.